NOMURA ASSET MANAGEMENT

Nomura Asset Management U.K. Limited

The UK Stewardship Code 2020 Compliance Statement

September 2022

Contents

Foreword

The last 12 months have been another unsettling period for global investors. We are just emerging from the deadliest pandemic in over a century but still coping with its after-effects, a major war is taking place on the borders of the European Union, and the impacts of climate change have continued to be seen in an increasing number of natural and human disasters.

Often, and even at the most difficult of times, we find that companies can have a positive impact on society. For example, during the Covid-19 pandemic, large pharmaceutical companies had the resources (human and financial), intellectual property and management capabilities to develop vaccines in record time. Nevertheless, the ongoing impact of companies must be scrutinised (and positive action encouraged), and investors often find themselves with a vast amount of data and terminology that is difficult to compute into real world outcomes.

This is where the investment management industry can play a crucial role. Through engagement, asset managers can encourage companies to improve their impact on ESG-related issues, as well as outcomes for all stakeholders. Historically, the asset management industry has tended to report on activities rather than outcomes. Investors are now asking for more – what changes has any engagement activity brought about, and what was the actual impact of those changes?

Likewise, the UK Stewardship Code encourages asset managers to reflect on their approach and the results it achieves. We face immense challenges as a society and the focus must be on whether the impact we are having is making any difference to these issues.

This report sets out the actions taken by Nomura Asset Management U.K Limited ('NAM UK') and, where appropriate, its international affiliates, to comply with the 12 Principles of the UK Stewardship Code 2020 and is approved by the Board of Directors as of 31 October 2022.

Dr. Constant Eduard Maria Beckers
Chairman, Nomura Asset Management U.K. Limited

Introduction

The UK Stewardship Code (the 'Code') was first established by the Financial Reporting Council (the 'FRC') in 2010, with subsequent revisions in 2012. As a Competent Authority, the Financial Reporting Council (FRC) sets the UK Corporate Governance Code and Stewardship Codes, as well as regulating auditors, accountants and actuaries. It promotes transparency and integrity in businesses, and its work is aimed at investors and others who rely on company reports, audit and high-quality risk management. Stewardship is the responsible action, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

NAM UK is authorised and regulated by the Financial Conduct Authority (FCA) and has been a signatory to the Code since it was established in 2010 and was categorised by the FRC as a 'Tier 1' signatory when the Code was revised in 2012.

The Code which took effect from 1 January 2020 is a substantially revised and strengthened version of the previous 2010 and 2012 versions. It sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. NAM UK issued its first report against the 2020 Code in October 2021 and was confirmed by the FRC as a Code Signatory in March 2022.

NAM UK is the London based entity of the NAM Group providing investment management services to segregated institutional client portfolios and investment vehicles, such as investment trusts and mutual funds. More details of the Nomura and NAM Group structure are provided on page 6. As part of the wider NAM Group, NAM UK and its affiliates will follow the lead of their parent company (NAM, headquartered in Tokyo) for some processes and initiatives, though there will be some local differences which are described where appropriate throughout this report in the responses to the 12 Principles of the Code.

NAM UK's client base includes UK and European pension funds, government agencies, corporate clients and funds throughout Europe, the Middle East, Asia and the Americas. As of 30 September 2022, NAM UK directly-contracted clients held assets worth £16.5bn in total.

As an FCA authorised firm, NAM UK has a regulatory obligation under the Conduct of Business (COBS) sourcebook Rule 2.2.3 to disclose the nature of its commitment to the Code or, where it does not commit to the Code, its alternative investment strategy.

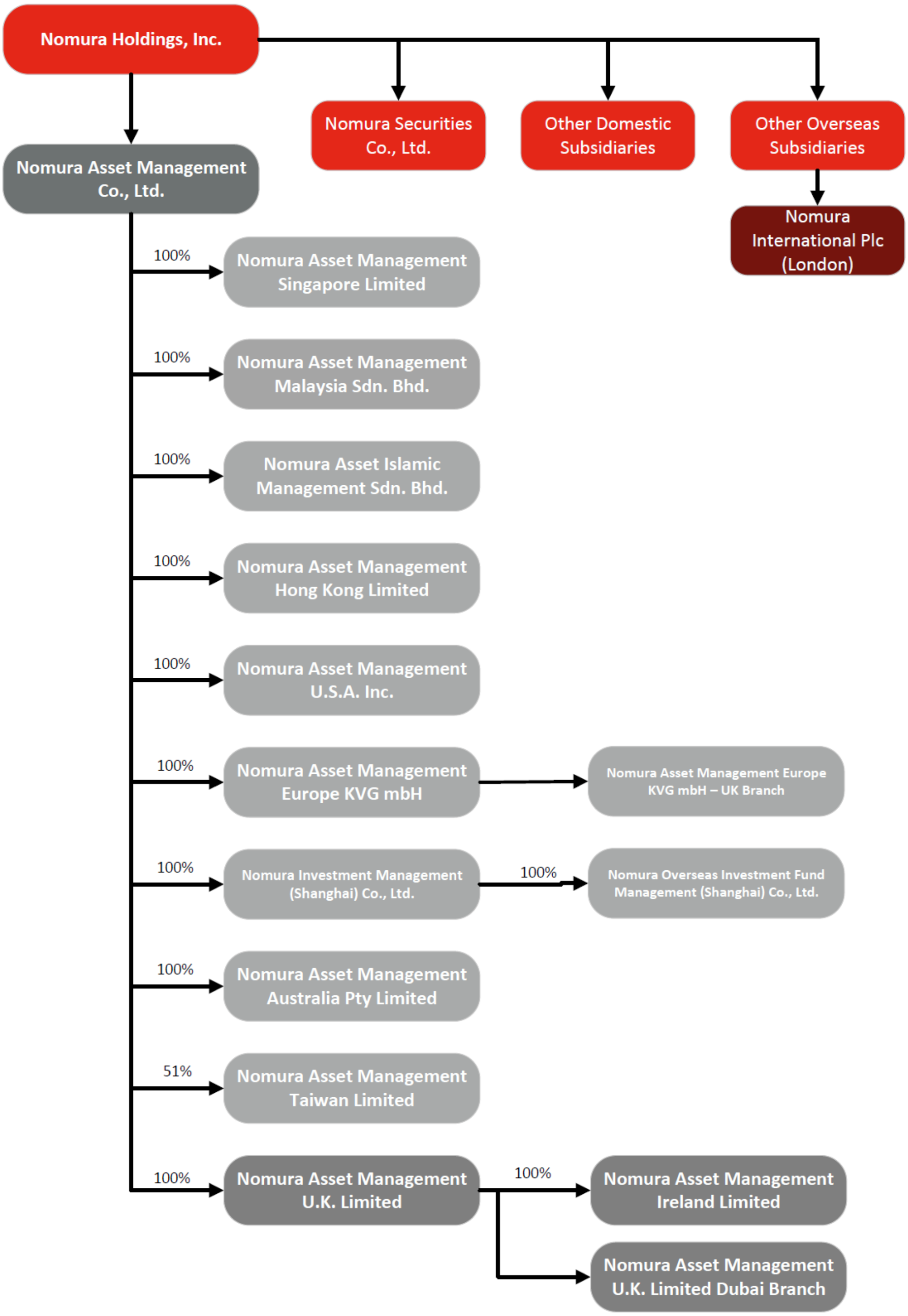
This report sets out the actions taken by NAM UK and, where noted, its delegated affiliates, to meet the 12 Principles of the UK Stewardship Code 2020.

As explained on page 20, NAM Group companies may sub-delegate the investment management duty (including stewardship and engagement) to another regional office, depending on the investment mandate. As a UK authorised firm, NAM UK commits to the Code in its own right. In this report we refer to the approach of the NAM UK-based equity and fixed income teams, and also those of other NAM Group affiliates to whom investment management may be sub-delegated, as further described on page 20.

Unless indicated otherwise, the information covered in this report is for the period 1 October 2021 to 30 September 2022. Examples of case studies that may fall outside this period are those in the Japanese equity section within each Principle. NAM UK's parent company, Nomura Asset Management Co., Ltd ('NAM' ,'NAM Tokyo') produces a Responsible Investment Report on an annual basis, which includes local and global activities for the previous calendar year. The report issued in July 2022, referred to in this UK Stewardship Code report, covers the calendar year 2021. This is in contrast to responsible investment reports issued by NAM UK, covering the activities of the Global Equity and Fixed Income teams, which are produced quarterly.

Nomura and NAM Group overview

The Nomura group of companies ('Nomura Group' , 'Nomura') was founded in 1873 by Tokushichi Nomura. By the early 1920s it had grown to be a dominant force in Japanese financial services. Building on this success, the group expanded globally in the 1950s. Today, the Nomura Group comprises Nomura Holdings, Inc. and its subsidiaries in Japan and overseas. Nomura Holdings, Inc. is a holding company with controlling stakes in companies that conduct investment and financial services business with an emphasis of securities businesses.



1. Founding Principles

The Nomura Group's commitment to society and clients is rooted in the Founder's Principles and remains today:

Nomura's raison d'être

Customer service mindset

Business development frame of mind

Global ambition

Emphasis on rigorous research and analysis

Staying one step ahead

Entrepreneurial spirit

Human resources

Principle of putting the customer first

Emphasis on team work

2. Nomura Group Corporate Philosophy and Code of Conduct

The **Corporate Philosophy** is foundation of the Nomura Group. It defines the Group's mission, maps out the vision to achieve that mission and clarifies the unchanging values that underpin everything.

Mission

Contributing to Society

We help to enrich society through our expertise in capital markets

Vision

Trusted Partner

As a leading financial institution, we aim to be the most trusted partner for our clients

Values

Entrepreneurial Leadership

With passion and courage, we continually innovate to meet the needs of our stakeholders

Teamwork

To build our values and 'Deliver Together', we promote diversity and collaboration across divisions and regions

Integrity

Personal integrity is paramount to us. We act honesty, fairly and openly

The **Corporate Slogan** captures the essence of this philosophy and the unwavering determination to fulfil the tenets it embodies.

Delivering a Better Tomorrow

The **Code of Conduct** serves as the guide for ethical decision-making and proper conduct in working to build trust. It underpins other internal rules and regulations which set forth specific policies and procedures for ensuring that the Nomura Group's corporate activities and employees' conduct are in line with it. It sets out guidelines for Nomura Group directors, officers and employees ('Nomura People') to translate the Nomura Group Corporate Philosophy into actions and requires them to reflect on their actions to ensure they are in line with the Code of Conduct. Nomura People promise clients and other stakeholders that they will uphold the highest standards of ethics and integrity under the Code of Conduct.

Nomura's management vision is to achieve sustainable growth by helping resolve social issues, working on the belief that the sustainable development of society as a whole will help enhance corporate value.

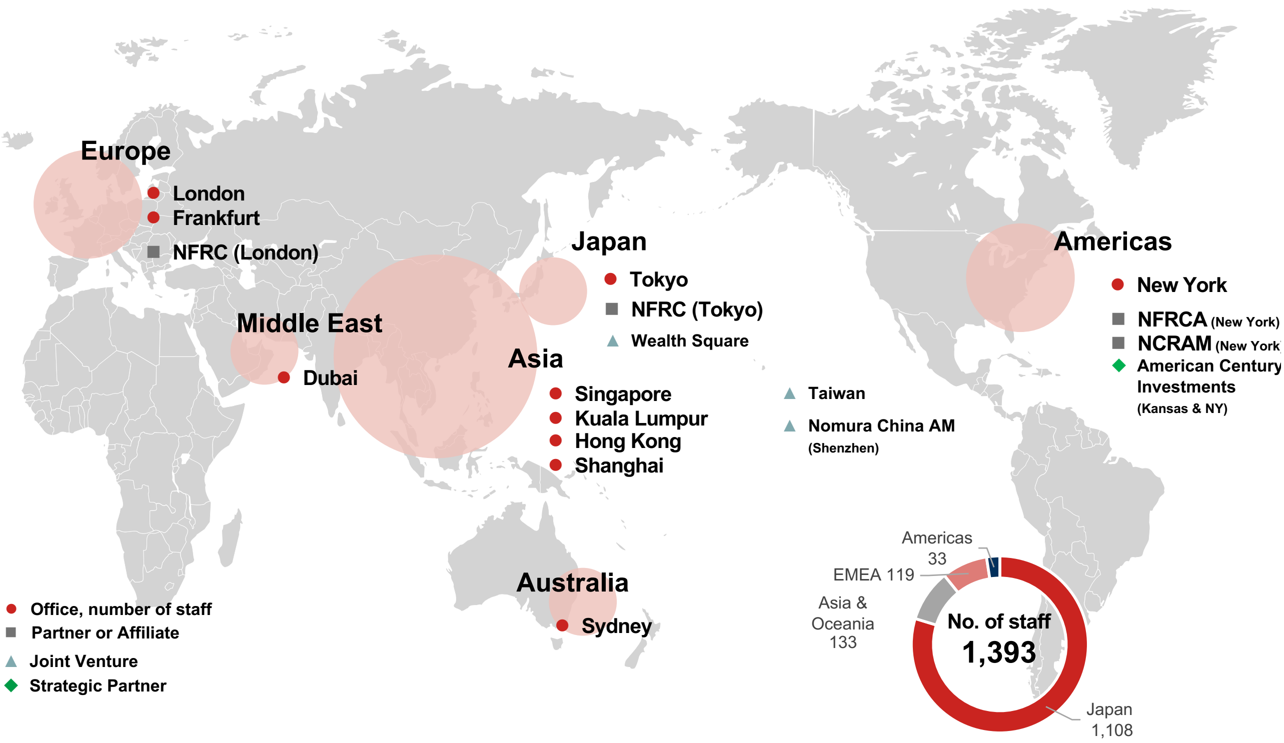
3. Investment Capabilities

The Nomura Group's investment management activities are represented by **Nomura Asset Management Co., Ltd ('NAM')**, established in 1959 and now Japan's largest independent investment manager and one of the industry's leading global players.

NAM is a wholly owned subsidiary of Nomura Holdings, Inc.

Headquartered in Tokyo, NAM has dedicated investment management operations globally, providing its clients with a wide range of innovative investment strategies including global, regional and single country equities (active and passive), high yield bonds, alternative investments and global fixed income strategies. NAM provides high quality asset management services to public and private pension funds, governments and central banks, commercial banks and insurance companies and business enterprises.

Japanese Roots, Global Reach	Founded in 1959, Headquartered in Tokyo 14 offices globally including London, Frankfurt, Singapore, Hong Kong, New York Nearly 1,400 employees
Long-term Experience	Operating in Europe for over 30 years
USD 436bn Assets under Management globally	Approximately USD 463bn management as of 30th June 2022



Source: NAM Tokyo as of June 30, 2022.

As part of the wider NAM Group, NAM UK and its affiliates will follow the lead of their parent company (NAM, headquartered in Tokyo) for some processes and initiatives, though there will be some local differences which are described where appropriate throughout this report in the responses to the 12 principles of the Code.

4. Responsible Investment

NAM is committed to Responsible Investment, being a signatory to the United Nations Principles for Responsible Investment since 2011 and has a strong track record of acting in a manner that maximises both the experiences of clients and the other stakeholders.

UN PRI Signatories' commitment:

'As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities within the broader interests of society.

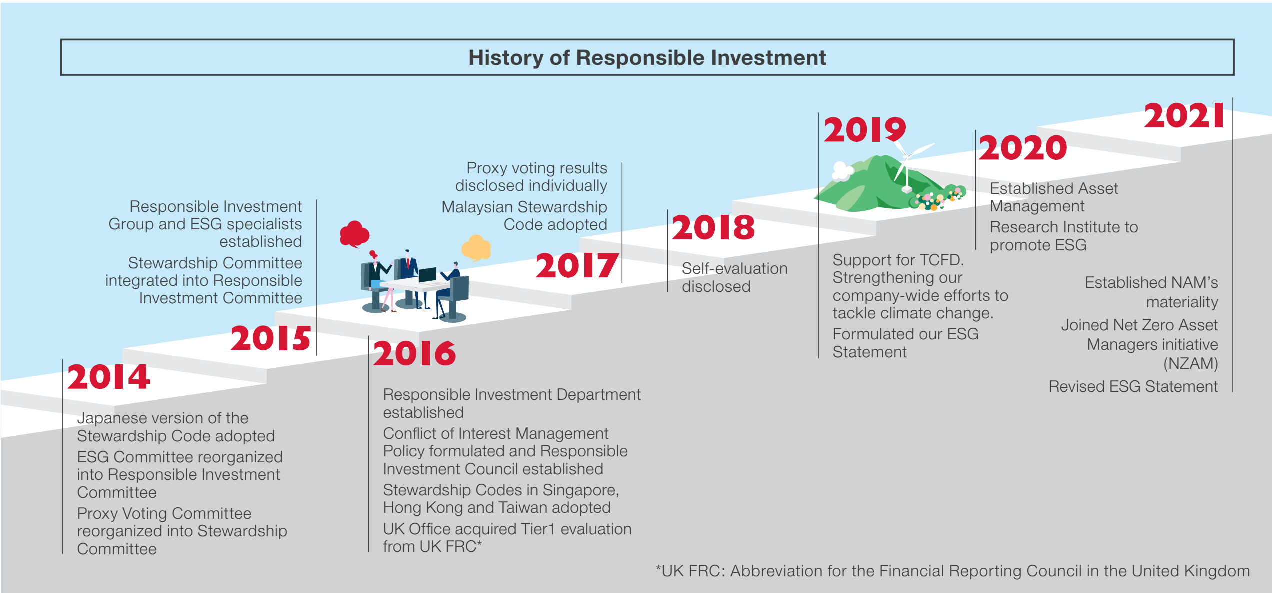
We encourage other investors to adopt the Principles.'

Signatory of:

PRI | Principles for Responsible Investment

The following summarises NAM's basic policy for Responsible Investment:

- To act at all times in the best interests of clients, whilst offering high quality asset management services and contributing to the development of society and gaining its trust
- Ensure that conflicts of interest are handled with independence and in such a manner that client interests will never be damaged
- Commit to performing engagement activities and properly exercising clients' voting rights
- Aim to realise a healthy, sustainable society and contributing to raising the earnings power of corporations, thereby aiding the formation of national and international wealth
- Strive to earn and maintain the public's trust and the confidence of all stakeholders



The Responsible Investment Committee determines NAM's company policy regarding stewardship activities. The NAM Responsible Investment Council consists of the Chief Conflict Officer and persons in independent positions in the company as well as independent outside directors. It monitors all decisions made by the Responsible Investment Committee.

A global NAM Responsible Investment Report is published on an annual basis to help domestic and international investors, portfolio companies and asset owners to better understand the approach to stewardship activities. The latest version was published in July 2022 and covers the calendar year 2021.

https://global.nomura-am.co.jp/responsibility-investment/

5. ESG

Environmental, Social and Governance (ESG) issues are basic concerns to be addressed by companies to continuously engage in business activities as a member of society and create corporate value. ESG considerations are integral to the NAM Group's investment stewardship and all offices strive to have a dialogue with investee companies to constantly identify how they address ESG issues, and to encourage them to properly take on these challenges through stewardship-related activities. The results of such engagement are also reflected in investment decisions.

NAM is committed to fulfilling both its fiduciary and social responsibilities through the provision of high quality products and investment solutions that meet the performance and service expectations of clients, whilst at the same time, recognising the importance of ESG measures of company performance.

In striving to ensure the business contributes broadly to the development of society, NAM abides by high ethical standards, building a deep, trusting relationship with clients and seeking sound business operations. It is recognised that corporations must properly manage risks associated with ESG issues, while also viewing solutions to such issues – including new business opportunities - and incorporating them into management strategies in order to achieve sustainable improvement of corporate value. These same actions are an essential factor to drive investment returns. Based on this recognition, NAM works to resolve ESG issues as a responsible investor to fulfil fiduciary duties, while promoting business operations that emphasise ESG in order to realise a sustainable society through the virtuous cycle of investment.

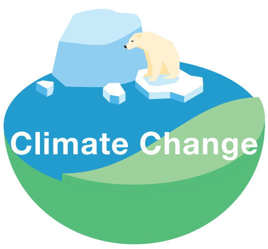
NAM works to strengthen ESG initiatives based on its global platform for responsible investment. The NAM ESG Statement, which is shared globally, allows for a common understanding of the goals behind ESG-related activities as well as ESG-related issues.

https://global.nomura-am.co.jp/responsibility-investment/investors/

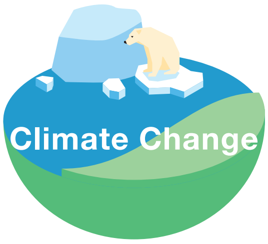
The Statement, updated in December 2021 to recognise that two years have passed since it was formulated and that the global economy and circumstances surrounding ESG are changing faster than expected, summarises the firm-wide ESG related commitments and initiatives, and how the Group will strive to realise a sustainable environment and society.

While the importance of each ESG issue differs depending on the specific characteristics of the business in question, the following are common issues and risks that are regarded as high priority:

Environment



Corporate value is significantly affected by both risks and opportunities related to climate change. The risks include those accompanying the transition to a carbon-free society such as carbon pricing, stranded assets, and changes in consumer preferences, as well as physical risks such as extreme weather caused by greenhouse gas. Meanwhile, business opportunities exist in areas like technological innovation and new products and services to mitigate or address climate change. The Paris Agreement, which was concluded in 2015 as the shared global response



to climate change, stipulates that efforts shall be made to limit the increase in the global average temperature to well below 2 degrees Centigrade, and preferably to 1.5 degrees Centigrade. To achieve this goal, it is necessary to reach net zero greenhouse gas emissions by 2050, based on scientific evidence. NAM believes that companies must address climate change issues from the perspective of both risk management and the pursuit of business opportunities in order to achieve sustainable improvement of corporate value.

Companies benefit from biodiversity through the utilisation of forests, water sources and other natural capital in their business activities. However, the impairment of natural capital brought about by human activities has become a serious problem, from the pollution of seas, rivers, air and soil, to deforestation. Overdevelopment, overfishing, and destruction of natural habitats continue to drive the loss of biodiversity. NAM believes that companies must exercise proper risk management in relation to activities that could negatively impact natural capital and biodiversity, as well as pursue business opportunities in the preservation of natural capital and biodiversity.

Environment

Corporate business activities involve a large number of people including employees and local residents, which is even larger when the supply chain is considered. Companies are expected to exercise proper risk management to ensure that their activities do not infringe upon human rights, and there have been moves to introduce legislation requiring companies to perform human rights due diligence. NAM believes that companies must exercise human rights due diligence and other forms of proper human rights risk management in order to achieve sustainable improvement of corporate value.

Companies can achieve sustainable improvement of corporate value by developing the skills of their employees to their maximum potential. NAM believes that companies must build a workforce made up of people with diverse values without regard to factors such as gender, nationality, race, or age to create a corporate culture that embraces diversity and inclusion. Furthermore, companies must ensure that their employees are able to engage in rewarding work at their respective workplaces to contribute to business activities at their full potential, with no risk of discrimination in relation to their work or advancement.

Well-being refers to a state in which all people can seek their own happiness and lead a healthy life. Realising well-being within society will also lead to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. Well-being within society can be realised by addressing social issues in a variety of fields, for example health and safety (access to nutrition and medical services, health / hygiene / safety management etc), education and intelligence (artificial intelligence (AI), disruptive innovation), and regional revitalisation (access to financial services, access to communication technologies etc). The development and provision of products and services that contribute to addressing these social issues represents important business opportunities for companies, which could lead to sustainable improvement of corporate value.

ESGovernance

Corporate governance is a structure for transparent, fair, timely and decisive decision-making by companies. Decisions are transparent if a company's management is accountable for them, and fair if the interests of management are aligned with the interests of shareholders and other stakeholders. When these requirements are met, the board of directors can properly delegate its management execution authority to management, who can then make decisions in a timely and decisive manner. From this perspective, the board of directors is responsible for the supervision of management; and nominations, compensations and audits are the means to ensure the board fulfils its role. NAM believes that companies must strengthen corporate governance so that their management can properly manage various risks, including the ESG issues mentioned here, while pursuing business opportunities to achieve sustainable improvement of corporate value.

https://global.nomura-am.co.jp/responsibility-investment/investors/

Impact Investing

NAM believes that impact investing should not be limited to simply having an impact on the environment or society and it is important to generate earnings and cash flows, which will ultimately be returned to asset owners and other stakeholders. In carrying out impact investing, extensive analysis is performed of the impact that a portfolio company has on the environment and society, as well as the earnings / cash flow generated. At the same time, there is engagement with the company to help it set Key Performance Indicators and targets that generate impact, as well as to proactively support business activities aimed at achieving them.

The United Nations Sustainable Development Goals (SDGs) are often used as a framework for impact investing. The SDGS set forth 17 goals and 169 targets, indicating the enormous needs of the global market and effective risk management methods that lead to return on investments in portfolio companies, and are viewed as useful indicators for measuring the impacts on the environment and society.

As described further in Principle 1, NAM has identified six ‘impact goals’ which we aim to achieve through impact investment. These goals target urgent issues facing the world, including climate change, natural capital depletion, access to healthcare, social responsibility (eg. financial services and access to drinking water).

Indicators have been established to measure the degree of improvement for each impact goal - for example, for the goal of ‘Eliminate Communicable Disease’ indicators such as mortality rates for HIV, tuberculosis, malaria and other illnesses published by the World Health Organisation (WHO).

Companies included in the investment universe are linked with the 17 goals of the SDGs and then more detailed Company Performance Indicators are set to enable the extent of improvement and impact to be monitored and measured. Furthermore, through continuous engagement, companies are encouraged to solve issues based on what is learnt from the ongoing monitoring process.

In terms of ESG integration, climate change analysis tools are used to evaluate the climate change risks and opportunities for each fund and in addition to sharing ESG scores among all offices, ESG data from external sources and other data are incorporated, as well as details of engagement with investee companies, and used to make investment decisions, as described in the responses to the Principles in this report.

6. NAM's own Sustainability Initiatives

NAM is a member of the Net Zero Asset Managers initiative (NZAM) and has a 2050 Net Zero Goal and 2030 Interim Target for own greenhouse gas (GHG) emissions, in line with the goals of the Paris Agreement.

NAM is also a member of the Partnership for Carbon Accounting Financials (PCAF) – a global initiative by financial institutions to measure and disclosure GHG emissions financed by their loans and investments. As part of NAM's effort to integrate analysis and assessment of investee companies' climate-related risks and opportunities, the GHG emissions of equity and corporate bonds portfolios are assessed and disclosed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, the GHG emissions of individual funds are measured.

The assessment of financed emissions remains challenging, particularly for asset classes other than equities and corporate bonds. Going forward, NAM will continue to collaborate with PCAF.

In April 2022, NAM established its Sustainability Development Department with the aim of further promoting business operations with an emphasis on sustainability as an asset manager as well as an operating company, and to strengthen communication both internally and externally.

Four high level aspirations have been identified – as shown in the diagram below - with goals and key initiatives that should be worked towards. Going forward, discussions continue on actions and Key Performance Indicators etc., in order to realise a virtuous cycle of investment, but some areas identified include:

- Enhancement of ESG integration to incorporate more non-financial information into the investment process
- Consideration of level of investment with respect to climate change risks and opportunities
- Reduction of NAM's CO2 emissions, with the aim of achieving carbon neutrality
- Demanding that portfolio companies have management strategies that take the sustainability of natural capital into account, and promoting initiatives within NAM to preserve natural capital
- Promoting diversity and inclusion within portfolio companies and within NAM
- Promoting sufficient functioning of corporate governance within portfolio companies and within NAM
- Strengthening and enhancing internal control systems and conflict of interest management

Further details of ESG policies and processes, including case studies and examples are provided later in this report.

	Important issue
1 Strengthening the Investment Chain	Provision of excellent products and services that help clients build wealth
	Promotion of responsible investment
	Enhancement of investment capabilities and client convenience through digitalization
	Promotion of financial literacy education
	Support for regional revitalization
2 Realizing a Healthy Global Environment	Achieving a decarbonized society
	Preservation of Natural Capital
3 Realization of a Society in Which Human Rights are Respected	Promotion of diversity and inclusion
	Creation of environments in which employees are excited to work
	Realization of a healthy and long-lived society
4 Corporate Value Improvement through Governance	Sufficient display of corporate governance functions
	Enhancement of internal control system
	Strengthen and enhance the system for managing conflicts of interest

7. Diversity and Inclusion at NAM

This is one of the key issues that NAM identifies as high priority, both as an investor and as an operating company in its own right. The Sustainable Development Department referred to in the above section has set various goals in connection with these high priority ESG issues, and in respect of diversity and inclusion, these are as follows:

Goal	Key Initiatives
We will promote diversity and inclusion in portfolio companies as well as within NAM, in order to continuously create added value by allowing diverse human resources to display their abilities and individuality	▪ Promotion of diversity and inclusion through engagement with portfolio companies ▪ Establishment and management of Japan Empowering Women Select Index ETF ▪ Introduction of job-grade personnel system ▪ Development and appointment of diverse professional human resources ▪ Support for balancing work and raising children

NAM's ultimate parent company, Nomura Holdings is a member of the 30% Club Japan, supporting its vision to increase female representation in corporate decision-making bodies, in order to strengthen corporate governance and promote sustainable growth. As a member of the 30% Club's Japan Investor Group, NAM promotes proper gender balance in the companies in which it invests.

The Basic Policy on Responsible Investment includes the following as issues considered particularly important, where it is expected that investee companies should be making efforts:

- Setting a medium to long term target for the percentage of women among board members
- A personnel system that discourages employees from leaving employment due to a 'life event'
- Non discriminatory development of human resources
- Creation of a corporate culture that embraces diversity and inclusion

8. NAM's Basic Policy for Engagement

Engagement with investee companies is an effective way to fulfil stewardship responsibility and this is done proactively.

Engagement should be held based on a deep understanding of investee companies and their business environment, striving to understand companies' specific circumstances. Companies are supported in the management of businesses to help them enhance corporate value and achieve sustainable growth through engagement. However, asking for improvements in companies with management issues is not the only method of engagement. It is also very important to reassure well-managed companies of our support as investors.

Medium-to-long term fundamentals are the key to engagement, although the contents of the dialogue with each investee company will vary depending on the business environment and each company's specific business circumstances.

NAM's basic principles for engagement are:

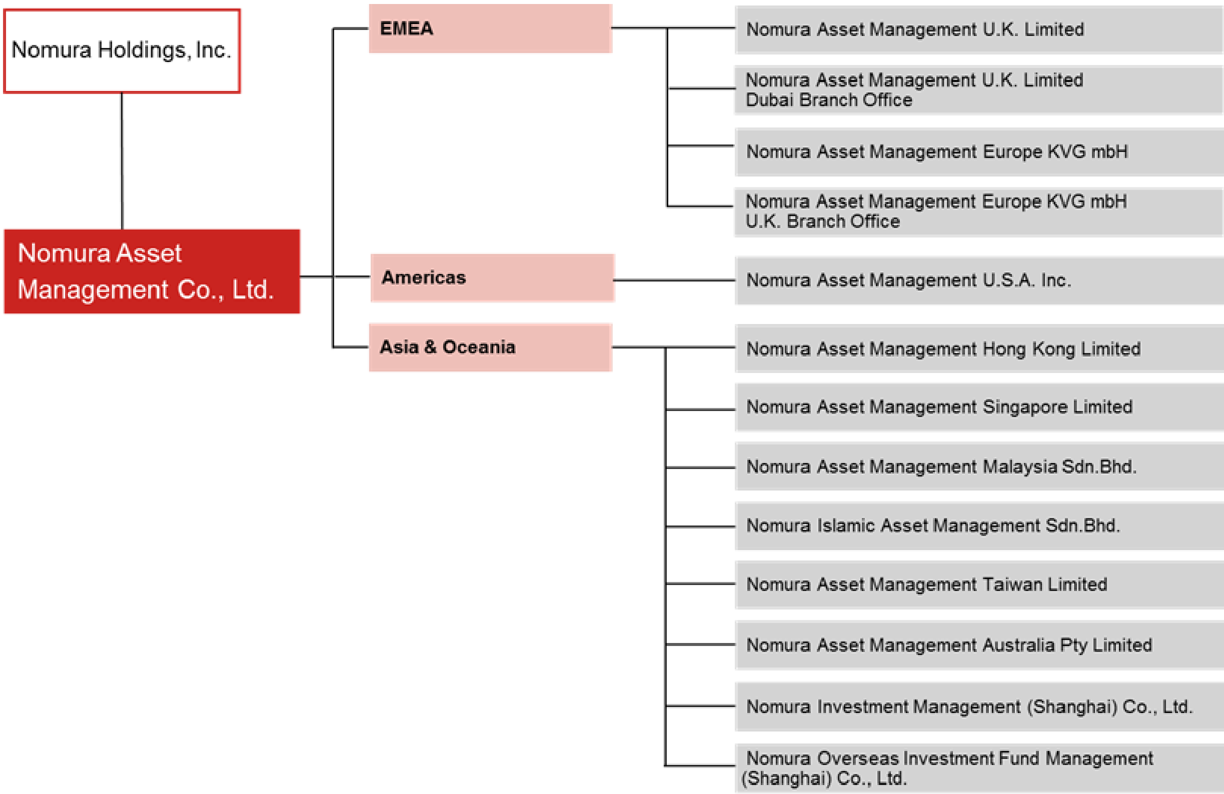
1. Maintain an amicable and constructive stance when communicating with investee companies
2. Deepen understanding not only on financial information, but also on non-financial information of the investee companies, which includes ESG issues, the background to certain strategies and management philosophy
3. Exchange ideas and opinions with investee companies regarding capital efficiency
4. Exchange ideas and opinion regarding the cause and recurrence of, and countermeasures in the event of incidents that breach accepted standards, and promote effective corporate management

Specifically, ESG specialists and analysts based in each global NAM office collaborate to engage with portfolio companies. The details of the engagement in each country is monitored using common milestone management tools, which allow information to be easily shared between the offices.

Further details of engagement policies and processes, including case studies and examples are provided in this report.

9. Cross-border delegation between NAM affiliates

Nomura Asset Management U.K. Limited ('NAM UK') and all other NAM offices outside Japan are wholly owned subsidiaries of Nomura Asset Management Co., Ltd ('NAM'). Each NAM office is responsible for providing global fund management expertise and investment management services from various regional centres.



NAM believes in the regional management of investment portfolios through dedicated centres of expertise supported by local client servicing. We therefore implement cross border delegation arrangements whereby the locally contracted NAM office delegates portfolio management to the respective regional NAM group entity where the relevant investment expertise is based.

Strategy/ies	Investment (sub) manager/s
Equities and Global Fixed Income	**Nomura Asset Management U.K Limited ('NAM UK')**
	Nomura Asset Management Singapore Limited ('NAM Singapore')
	Nomura Asset Management Malaysia Sdn. Bhd. ('NAM Malaysia') and Nomura Asset Islamic Management Sdn. Bhd. ('NAM Islamic Management')
	Nomura Asset Management Hong Kong Limited ('NAM Hong Kong')
	Nomura Asset Management Europe KVG mbH ('NAM EU')
	Nomura Overseas Investment Fund Management (Shanghai) Co., Ltd. (NAM Shanghai')
Japanese Equities	(Nomura Asset Management Co., Ltd) ('NAM Tokyo') (NAM Tokyo also manages some non Japanese equities)

This report provides information on NAM UK's (and, where appropriate, its NAM Group affiliates') adherence to the Code, for NAM UK-contracted clients. Where relevant, the responses to the 12 Principles of the Code are split between the above investment strategies, and the comments are supplied by the relevant investment (sub) manager/s.

For the purposes of this report, the Equity approach has been split between Japan and non Japan, although there are shared processes, including data gathering and discussion, that are common to all NAM offices – of which more details are provided herein, and in the Responsible Investment Reports referred to in this report.

Other investment managers to whom investment management duties may be delegated, who are not NAM Group affiliates (and for whom full details of processes and case studies are not included in this report) are:

Nomura Corporate Research and Asset Management, Inc. ('NCRAM')

NCRAM is a boutique investment management firm that specialises in the below investment grade credit market, focusing on US and global high yield instruments and emerging market debt.

NCRAM acts as investment (sub) manager for US, Euro and global high yield bonds, leveraged loans and emerging market bonds mandates and funds.

NCRAM believes that engagement helps to understand how companies are committed to incorporating ESG issues into their ownership and management and their plans to address those ESG risks that may have a material financial impact in the future. It believes that companies should sustainably manage relationships with their various stakeholders, including shareholders, lenders, employees, customers and consumers, as well as their impact on the environment. Companies should place appropriate emphasis on long-term business sustainability, with due consideration for the wider communities within which they operate.

NCRAM's basic approach to engagement activities is as follows:

- Encourage investee companies to engage in proactive dialogue with their investors
- Encourage investee companies to increase their disclosure of ESG related activities and risks, such as carbon footprint, employee and board diversity, and policies surrounding social and community initiatives
- Through disclosure and dialogue, seek to understand ESG issues and solutions for the companies in which NCRAM invests
- Share views concerning ESG issues with investee companies and encourage those that are considered to have problems with ESG issues to improve their approach

NCRAM analysts engage with companies on ESG issues in various settings, including new issue meetings, regular company calls and group meetings. Analysts incorporate their ESG engagement activities in their regular investment updates and recommendations for portfolio managers. Analysts are required to undertake a more comprehensive ESG analysis and engagement on a semi-annual basis that will focus on companies believed to have more material ESG risks. This engagement focuses on specific ESG risks and the company's initiatives, timeline / targets for addressing those risks, and an assessment as to whether those targets are achievable. This engagement is reported separately from routine investment meetings and updates.

As bondholders, NCRAM has limited ability to alter the governance structure of a company, such as nominating board directors or voting on management compensation. However, it can encourage companies to take the engagement seriously by re-evaluating its investment decisions and participation in new issues if it is felt that a company is not doing enough to address the ESG risks that may impact its financial outlook.

https://www.nomura.com/ncram/

American Century Investments Inc. ('ACI')

In May 2016, Nomura Holdings Inc. acquired a non-controlling 41% economic interest in American Century Investments Inc. This expands the opportunities for both firms to reach new clients and provide a broader range of solutions to serve investors' strategic interests.

ACI was founded more than 50 years ago by Jim Stowers, Jr as a small asset management firm offering just two mutual funds. It is now one of the top money managers in the U.S., serving financial intermediaries, institutional clients and individual investors.

Jim Stowers Jr., and his wife Virginia established and endowed the Stowers Institute for Medical Research, a world-class biomedical research organisation dedicated to uncovering the causes, treatments and prevention of genetically based diseases, like cancer. The Stowers Institute for Medical Research owns a controlling interest in American Century, and through this unique ownership structure, dividend payments ensure the ongoing support of important work that can improve human health and save lives.

ACI acts as investment (sub) manager to several equity-based sub funds in our Irish-domiciled UCITS range Nomura Funds Ireland plc, specialising in global growth, emerging markets, global small cap and sustainable impact investing, including the Advanced Medical Impact Fund and US Focused Innovation Fund.

ACI believes incorporating material ESG risks and opportunities into investment analysis can contribute to better investment outcomes. Doing so requires ongoing investment in and commitment to ESG resources and in-house training. Many of its portfolio teams consider ESG factors using an approach consistent with their specific investment objectives.

ESG issues are considered as increasingly important to the long-term sustainability of a company's business model. ACI has invested in extensive in-house ESG resources, training and education, and established a common research framework. This can help to more holistically assess the long-term sustainability of a company and may contribute to downside risk mitigation or the understanding of upside potential of a company's long-term business value.

ACI's Sustainable Investment Council was established to facilitate the firm's sustainable investing strategy, advance client-focused solutions, and bolster expertise. With a dedicated chair and members who champion sustainable investing, ACI believes this structure helps to raise the bar whilst partnering with clients to achieve their sustainable investing goals. The Council promotes best industry practices across ACI's investment teams and helps create alignment with processes and sustainability efforts. Together with the Sustainable Investing team, it works on training, accountability and research topics to help expand expertise throughout the investing teams. The Council also focuses on initiatives that expand ACI's sustainable investing knowledge, contribute to proprietary research and tools, and innovate client solutions.
https://corporate.americancentury.com/en.html

Unless advised otherwise, the remainder of this report focuses on the stewardship and engagement approach of NAM UK and, where relevant, NAM Group affiliates to whom the investment management of NAM UK-contracted clients may be sub-delegated.

Purpose and Governance

PRINCIPLE 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The structure of the NAM Group and its overriding principles, including responsible investment, ESG and engagement, are shown in the preceding section starting on page 5.

Equities

We offer a range of global strategies to suit our investors' needs across style, market-cap and concentration. Our equity teams are based in London, Singapore, Kuala Lumpur, Hong Kong and Shanghai.

Context

Our purpose is to generate excess investment returns for our clients while behaving in a responsible way and encouraging our investee companies to also behave in a responsible way. We believe that responsible investment is the process of giving consideration to the total impact of an investment decision on all stakeholders, not only the end investors (our clients) but also customers, suppliers, employees, competitors, broader society, the environment and ourselves.

We call this our "Total Stakeholder Impact" philosophy and within this, where we identify an underserved stakeholder group we use our influence to improve that outcome for that stakeholder and thus have a positive impact.

To achieve long-term returns for our clients we of course seek to invest in those companies that can sustainably create significant value. However, even if the Total Value creation is positive, sustainability cannot typically be achieved if the value created is not fairly shared among the various stakeholders.

As responsible investors we must take into account the broader impact of our investment decisions and it is our duty to engage with the businesses we own and/or lend to, and even those we don't, to push for better practices where necessary.

More about our Responsible Investment Philosophy is contained in this report on our website, which sets out the thinking behind our ESG and Responsible Investing framework. We consider the logic and also the psychology, and rather than basic an argument on the belief that ESG will be an outperforming strategy, we conclude that it is first and foremost the right thing to do and you should always start from there:

https://www.nomura-asset.co.uk/download/the-philosophical-thoughts-of-a-responsible-investment-team.pdf

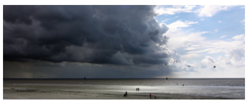
Activity

Targets for engagement are identified through our ongoing ESG research programme, which takes into consideration the ESG risks within our client portfolios and ongoing evaluation of the impact that our investee companies have on all stakeholders. An assessment is made as to the severity of the engagement topic and the engagement itself is carried out at the appropriate level. Where we feel our engagement activity is not having the desired effect we will escalate our concerns to more senior management or directly to the board. We are proactive with regards to proxy voting as a means to express our views and we actively seek to collaborate with other investors to maximise the impact of our activity.

We have 6 “Impact Goals” that we work towards as part of our long term engagement activity. These “Impact Goals” sit within and complement the Total Stakeholder Value philosophy and provide long term focus for our activities.

The team is committed to working towards these “Impact Goals” and reporting on progress. The goals are fully aligned to the UN SDGs and in this way the team is able to make a contribution to their achievement.

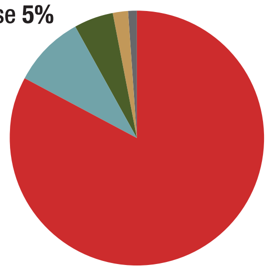
Setting Definable Impact Goals in line with NAM’s ESG statement and the UN SDGs

	Environment		Society	
	Climate Change	Natural Capital	Access to Healthcare	Social Responsibility
ESG Statement				
Impact Goals	**Mitigate Climate Change:** Keep global warming to below 2°c	**Mitigate Natural Capital Depletion**	**Eliminate Communicable Disease** **Mitigate the Obesity Epidemic**	**Global Access to Basic Financial Services** **Global Access to Clean Drinking Water**
Key Performance Indicators	Global Renewable Energy Output Atmospheric CO_2 Levels Global Carbon Emissions per Capita	Material Consumption per Capita Global Annual Tree Cover Loss	Deaths due to HIV, TB and Malaria Obesity related Death Rate	Percentage of population who are Unbanked Percentage of Global Population with Access to Safe Drinking Water
Alignment with the UN SDGs	**SDG 7.2** Increase the mix of renewable energy **SDG 7.3** Double global energy efficiency	**SDG 12.2** Achieve the sustainable management and efficient use of raw materials	**SDG 3.3** By 2030, end epidemics of AIDS, Tuberculosis and Malaria **SDG 3.4** Reduce mortality from non-communicable diseases	**SDG 1.4** By 2030, ensure all have equal rights to economic resources **SDG 6.2** Achieve universal access to clean water

SUSTAINABLE DEVELOPMENT GOALS

More information and examples of our engagement activity are provided at Principle 9, but the charts below show the engagements held with investee companies by our equity teams categorised by impact goal over the period from 1 July 2021 to 30 June 2022, as reported via the quarterly Responsible Investment Reports, available on the NAM UK website:

Engagements by NAM Impact Goals	
Mitigate Climate Change	143
Mitigate Natural Capital Depletion	15
Eliminate Communicable Disease	9
Mitigate the Obesity Epidemic	0
Global Access to Basic Financial Services	4
Global Access to Clean Drinking Water	2
Total	**173**



Outcomes

We publish the following information about our stewardship activity and the Impact Goals:

- an annual impact statement in connection with our Global Sustainable Equity strategy
- quarterly responsible investment reports, which includes case studies of stewardship and engagement which are also referred to in this report
- full and flexible transparency into our proxy voting and corporate engagement activity via an online dashboard
- we also contribute to the annual Responsible Investment Report of the NAM Group, referred to on page 10

Japanese Equities

Context

We aim to be the Japanese asset management firm of choice for clients around the world. In accordance with our corporate principles we continue to proactively work to solve key issues in order to realise a virtuous circle of investment:

Strengthening the Investment Chain	Corporate Value Improvement Through Governance	Realizing a Healthy Global Environment	Realization of a Society in which Human Rights are Respected
▪ Provision of excellent products and services that help clients build wealth ▪ Promotion of responsible investment ▪ Enhancement of investment capabilities and client convenience through digitalization ▪ Promotion of financial literacy education ▪ Support for regional revitalization	▪ Sufficient display of corporate governance functions ▪ Enhancement of internal control system ▪ Strengthen and enhance the system for managing conflicts of interest	▪ Achieving a decarbonized society ▪ Preservation of natural capital	▪ Promotion of diversity and inclusion ▪ Creation of environments in which employees are excited to work ▪ Realization of a health and long-lived society

Activity

We have a long history of engaging in responsible investment. Our systems, processes and organisation have undergone continuous reform to reflect and respond to the changing needs of investors and wider society, culminating in the present Responsible Investment Committee as the highest decision-making body for responsible investment, with supervision by the Responsible Investment Council.

Our global and diverse personnel and their research capabilities is another strength. A large number of portfolio managers, analysts and ESG specialists working in one of the largest active management institutions in Japan are committed to applying their analytical abilities and insights to responsible investment.

Outcomes

Details of our engagement activities are published in the annual Responsible Investment Report referred to on page 10.

Global Fixed Income

Context

Our investment teams manage a range of customised strategies for our clients globally. Some of these strategies have specific ESG-related requirements, whereas others have purely financially-oriented objectives.

Activity

We provide capital to investee companies and will voice concerns to those companies where there are issues surrounding their activities that concern us.

This is done through our credit research process that examines both financial and non-financial (ESG) elements of corporate debt issuers' businesses. Our analysts undertake their research on a sector basis and use both qualitative research and quantitative tools to examine both financial and non-financial criteria. More details of the process are described in our responses to Principle 2 and 7.

Where the analysts identify issues which they believe can be improved or addressed, they engage directly with the relevant companies to make their views known. This part of the investment processes is not limited only to companies in which our strategies have invested, but also to potential investee companies.

Outcomes

Details of our engagement activity are included within the quarterly responsible investment report referred to in the 'Equities' section above.

PRINCIPLE 2

Signatories' governance, resources and incentives support stewardship.

In August 2022 we appointed an ESG specialist who is independent of the Equity and Fixed Income portfolio management teams, whose role is to provide management of the following initiatives:

- acting as the partner to the investment, product development, sales and marketing teams to manage the regulatory agenda around ESG
- leading the incorporation of sustainability related regulations for new and existing investment products and services
- developing a coherent global platform view re. sustainability-related regulations and approaches
- setting up the UK Responsible Investment Committee (oversight of the ESG process)
- staying ahead of trends and evolving guidance

This has enabled the portfolio managers to focus on their primary roles, whilst still ensuring that NAM UK meets the requirements of ESG-related regulations such as SFDR (also referred to in Principle 7) - particularly around the disclosure reporting regime that takes effect from January 2023 under SFDR Level 2 - and other regional and industry initiatives, such as the FCA's proposals for sustainability disclosure.

Equities

Activity

The team believes strongly in the integration of ESG effort with the more traditional investment work, and that taking a 'hybrid' approach to ESG research supports the greatest integration into the investment decision making. As such all investment analysts and portfolio managers have responsibility for ESG research and corporate engagement and all team members have investment and ESG responsibilities to varying degrees dependent on their exact roles. We believe this is the best way to achieve good ESG outcomes and indeed some of the most successful engagements have been led entirely by senior portfolio managers.

The team has a Responsible Investment lead, and an ESG specialist, who lead the development of the team's responsible investment approach and reporting and, critically, take the lead on interaction with third party sustainability organisations (such as the UN PRI) and also collective engagements with other investors. This ensures the team are aware of evolving trends and operate in a cohesive way both internally and externally.

Alex Rowe is the Responsible Investment lead, and has been with NAM UK since 2014. He has 11 years of experience as a professional equity investor and has specialized in sustainable and responsible investment since early 2016. He holds a Masters of Chemistry (University of Oxford, First Class), and is a CFA Charterholder and alumnus of the Oxford University Saïd Business School Impact Investing executive program. He manages our Global Sustainable Equity strategy.

Daniela Dorelova is the UK Global Equity Team's ESG Specialist, supporting all ESG research and engagement activity carried out by the team. She has responsibility for the team's Responsible Investment reporting, alongside her role leading a number of collaborative engagements for the firm and covering the Utilities sector. Daniela sits on the Global Equity Responsible Investment Committee.

The Global Equity Responsible Investment Committee provides oversight to the decision making on philosophy, reporting and key engagement issues. The objectives of the Global Equity Responsible Investment Committee are:

- review and agree Global Equity amendments to the NAM Proxy Voting Policy
- review the engagement activity plan of the outsourced corporate engagement provider and agree any changes
- review any interactions with UN PRI and agree on any future interactions
- oversee any necessary updates to the NAM UK policy in respect to the UK Stewardship Code
- oversee the proxy voting process and decide on proxy votes for contentious issues and / or where the issue is not clearly within the NAM proxy voting policy lodged with ISS
- approve the quarterly Responsible Investing Report
- discuss individual investee companies as presented by the relevant research analyst in terms of their potential inclusion as an 'investible' company, based on their ESG credentials

The team uses 3rd party information from various vendors and the issues identified by these are considered across multiple strategies. In particular the controversy monitoring tools provided by certain vendors are useful. However we do not use external scores or ratings as part of our process; rather we produce our own rating based on our own research and analysis, with the data from third parties being just one input to that.

The team uses a proprietary UN SDG based screening tool to focus efforts on those companies that contribute the most, and eliminate those that have a negative impact on the UN SDGs. The team has also developed a proprietary, highly differentiated stakeholder impact assessment framework tool. The framework is used to make a holistic assessment of the total impact on all stakeholders (the environment, society, employees, customers, suppliers and us as shareholders) of a company and identify those companies that can have the greatest positive impact on our six impact goals.

The following research sources are leveraged in the team selection:

- MSCI ESG
- ISS ESG
- Bloomberg
- Reuters
- Sustainalytics
- Company Reports
- Non-Governmental Organisations (NGOs)

ISS climate reporting is also used for assessing and managing portfolio level climate risk.

Team members undertake specific educational courses and attend external conferences and seminars on ESG matters.

For internal training, the team has two approaches:

- The team's Responsible Investment lead has responsibility for identifying any emerging themes in ESG and sharing those with the rest of the team. In addition the Global Equity Responsible Investment Committee provides oversight of Responsible Investment matters including philosophy and approach and is a platform for sharing ESG-related information. The committee takes input from the Responsible Investment lead and the rest of the team to ensure that the team's approach is up-to-date.
- The team regularly debates the effectiveness of the current processes, as pertains to ESG and Responsible Investment. This involves the whole team and encourages diversity of opinions, the deepening of personal knowledge and also, given the often subjective nature of ESG matters, the development of the team's philosophies and principles on a range of important matters. For example the team have developed a detailed framework for determining what corporate behaviour would make a company 'uninvestible' from their perspective. Through debate and discussion the team were able to build a well-informed, principles based approach to making judgements on less clear cut situations.
- In addition, during the last 12 months, all NAM UK staff received 'in person' awareness training from a leading UK law firm, on the requirements of the Modern Slavery Act 2015, and the processes and controls NAM UK has in place to comply with it.

The Nomura Group as a whole is committed to fostering an inclusive work environment; one which reflects the diverse communities in which we operate and where people can and do realise their full potential. In addition to the information on page 18 about NAM's approach to diversity and inclusion, all staff at our UK office can take advantage of employee networks offered by our London-based affiliate Nomura International plc, to become more directly involved in diversity activities:

PRIDE	LIFE
▪ To support lesbian, gay, bisexual and transgender professionals and encourage them to perform to their utmost potential ▪ To drive policy review and development and encourage best practices in the LGBT space ▪ To raise awareness of LGBT issues and build inclusive teams regardless of sexual orientation, gender identity or expression	▪ To promote a culture of good health, wellbeing and work-life balance and drive personal and professional growth ▪ To connect members through networking ▪ Raise awareness around key family, health, wellness and life-balance issues
EMBRACE	**Gender Balance**
▪ To provide an open environment for all to meet and to share experiences, opinions, concerns and ideas with regards to racial diversity ▪ To support the professional development of BAME employees through networking and training events, discussions, and mentoring ▪ Raise awareness of and educate the workforce on BAME matters, whilst providing opportunities for colleagues to listen, learn and reflect on their own experiences, behaviours and biases	▪ The Gender Balance Network ("GBN") is a network of men and women dedicated to promoting a gender-inclusive culture and diverse workforce that supports the strategic growth of Nomura's business

In Principle 7 we have included details of an initiative carried out in the last 12 months to assess investee companies' approach to Diversity & Inclusion.

Contribution to our ESG effort has been a driver of investment team remuneration for several years as we believe this is an effective way to incentivise the team's efforts in this area. All members of the team have an ESG component within their performance reviews which takes into account the contribution to ESG research and engagement activity. We also consider alignment with our Responsible Investment Philosophy during recruitment processes.

Japanese Equities

Activity

The Responsible Investment Department was established in April 2016 as a department specializing in ESG research and analysis. We have 10 dedicated ESG specialists and 1 ESG Investment Manager in the Responsible Investment Dept. and they regard official constructive dialogue with portfolio companies (engagement), proxy voting, and the integration of ESG elements into the overall investment and research process (ESG integration) as the three main cylinders of their work.

The ESG Specialists maintain frequent contact with company management to discuss corporate governance issues. They not only provide company management with our proxy voting guidelines but also inform them as to why we may vote against certain resolutions. Our research analysts within the Equity Research Department also take ESG issues into account when analysing and communicating with companies.

The day-to-day operational activities relating to proxy voting rights are performed based on recommendations provided by ISS, the third party proxy voting adviser. Recommendations made by ISS adhere to our proxy voting guidelines and our ESG Specialists confirm and amend the recommendations if necessary.

The Responsible Investment Department also monitors the financial risks of each companies, and flag companies with high financial risks. They also engage in dialogues with companies to discuss about ESG issues, which are communicated across to the portfolio management teams.

Our sources of external information/data are:

Screening & Analysis Tools

- Sustainalytics (Alert)
- MSCI ESG Manager (ESG data)
- Refinitive DataStream (CDP data)
- ISS ESG (Climate Impact Assessment)

Active Ownership Support Tools

- Sustainalytics (Engagement)
- ISS (Proxy Voting)
- Glass Lewis (Proxy Voting)

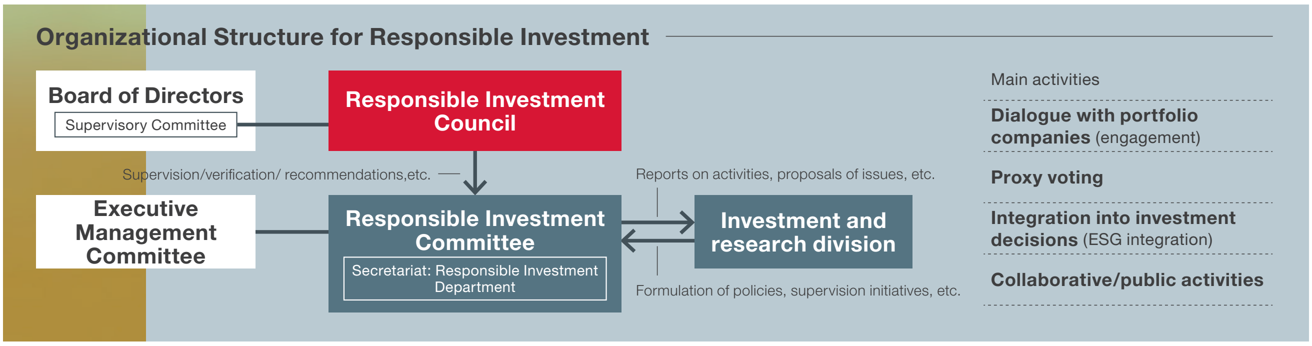
ESG Rating

- MSCI ESG Manager
- Refinitive DataStream
- Bloomberg

We also have our own proprietary ESG Scores which is informed by the research of the Responsible Investment Department in Tokyo.

The roots of the current Responsible Investment Committee lie in the Proxy Voting Committee established in 2001. Subsequently, the ESG Committee was established in 2011. The ESG Committee became the Responsible Investment Committee as part of a reorganisation and an integration from 2014 to 2015. Based on many discussions over the years, and always remaining conscious of our mandate from clients, we have fostered a culture that is supportive of responsible investment, respects diverse opinions from a large number of professionals and values lively discussion.

The Responsible Investment Council was established in 2016 as an oversight body to the Responsible Investment Committee. Independent outside directors and outside experts make up the majority of the Council, thus enhancing the management of conflicts of interest. In 2021, the Responsible Investment Committee held discussions on amending the Basic Policy for Responsible Investment; the Responsible Investment Council members stated their opinions and were satisfied with the outcome.



As well as participating in external presentations and seminars to help people gain a better understanding of ESG, internal training events are also held, including:

- In-house study session on the revision of ESG scoring process
- Internal seminars about ESG – topics included engagement policy, key themes and proxy voting
- Seminar with global colleagues about advancing the way ESG data vendors are utilised
- Internal lecture by expert about human rights
- Internal talk by NAM outside director on ‘active participation by women’

Our investment professionals are primarily rewarded through a combination of base salary and bonus as described below. Additionally, Japan-based staff are able to invest in our long-term incentive scheme through purchasing Nomura stock on a regular basis.

The remuneration of our analysts is based on the quality of their stock recommendations, whilst the remuneration of the portfolio managers is directly linked to the performance of the strategy they manage; both are outlined below:

Base salary: reviewed annually after completion of a formal performance appraisal process and based upon criteria such as, role specialisation, individual expertise, achievement of assigned duties, and communication abilities. Bonus measurement: based upon quantitative and qualitative scores: the quantitative score is based on the performance of the strategy and on the stock picking recommendations of the analysts. The qualitative score is determined by analysing the quality of the overall contributions of our investment professionals within their team of reference.

Outcomes

In December 2021 NAM performed a self-evaluation of stewardship activities by distributing a questionnaire to members of the Responsible Investment Committee and, the highest decision-making body for stewardship activities, and its supervisor, the Responsible Investment Council. This corresponded with the self-evaluation required by Guideline 7-4 of the Japan Stewardship Code revision of March 2020, and covered the year January – December 2021.

More than 90% of respondents indicated that stewardship activities were appropriate. The Responsible Investment Council held discussions based on the results of the questionnaire and comments received which resulted in the following:

Effective Initiatives	Points to be improved
The Basic Policy for Responsible Investment was revised on 30 December 2021	Consider a strategy to increase the diversity of the Responsible Investment Committee in order to incorporate diverse opinions into discussions
Senior management took aggressive action, including bolstering the personnel involved in stewardship activities and setting a net zero target for GHG emissions in assets under management	Increase the level of understanding of the Basic Policy for Responsible Investment within the Investment and Research Division, which is responsible for stewardship activities
The Engagement Department was established in November 2021 with the aim of further enhancing stewardship activities	

Global Fixed Income

Activity

As described further in our response to Principle 7, our analysts use a mixture of quantitative and qualitative analysis within the research process to identify and understand ESG influences on the securities held within our fixed income accounts. At all times, our aim is to identify sustainability issues that may impact the ability of a fixed income security issuer to meet its financial obligations. By doing so, we seek to lower the potential volatility of our clients' portfolios due to future credit events, with a particular focus on avoiding downside ESG and sustainability risks.

Our investment team assigns and records "ESG" ratings for all issuers within its analysts' coverage. These ratings are proposed by the analysts themselves, implying that they are treated to the same degree of rigour as the overall over/underweight ratings and are part of those analysts' objectives within our performance measurement practices.

For sovereign issuers, a diverse set of non-financial data deemed material and relevant to assessing sustainability risks for investors at the macro-economic level is used. Using a proprietary method, the data is systematically aggregated into relative scores (Sovereign ESG Scores) with weights based on a combination of the expected probability for each sovereign ESG risk factor to affect a country's potential growth rate, and the relative time required for such impact to occur. We recognise sovereign ESG factors as potential indicators of growth risk and that they tend to correlate with traditional credit ratings. The ESG ratings assigned are therefore relative, and this process enables the investment professionals to achieve more comprehensive assessments than with traditional economic and financial analysis alone, as well as potentially improving investment research and the ability to take appropriate risks.

Our ESG research into corporate issuers begins with a proprietary quantitative model which examines ESG-relevant data compiled by third party sources, with various ESG-related factors weighted according to their materiality to observed fixed income returns within each industry sector. For instance, for an issuer within the Bank sector, more weight will be applied to "Social" and "Governance" factors than are applied to "Environmental" factors, whereas for the Chemicals sector, a far greater emphasis on "Environmental" factors is applied. A composite ESG score for each of the issuers in our coverage is derived, based on a consistent and transparent process. Scores are updated on a regular and frequent basis.

In addition, the Global Credit Analyst team conducts broad-ranging qualitative research into the companies in their coverage. The quantitative scores derived by the process described above may influence the analysts to probe areas of perceived strength or weakness with respect to ESG criteria. However, the analysts are free to question and examine any element of a company's business model, income or balance sheet if it is necessary for them to understand the relative value characteristics of that company's bonds. This research can also lead to the discovery of ESG issues not identified by the quantitative analysis.

Our analysts continuously question the scores generated by the quantitative model, and may adjust the overall ESG assessment based on their own expertise and bottom up research.

We also have access to MSCI ESG ratings information, and use this as part of a quantitative assessment of ESG factors that in turn informs our final ESG ratings. The ratings are used by our portfolio managers to both attempt to improve risk / return outcomes for clients through a detailed understanding of ESG issues and to appropriately align portfolios with clients' stewardship and ESG requirements - the team now manage a number of mandates with specific ESG-related requirements.

We require the analysts to present both their overall Relative Value recommendations and specific ESG-scores to our entire fixed income team through the Bond Credit Risk Committee. Their views are challenged and questioned and further research may be requested prior to a formal ratification of the ratings and scores.

This process ensures consistency, oversight and accountability both financial and non-financial elements within our research process. Analysts are assessed on both the performance of their relative value ratings and their contribution to / knowledge of stewardship issues.

The Bond Credit Risk Committee is chaired by **Kento Okabe**:

Kento first joined NAM's Credit Research Department in 2008 after obtaining a MEng (Master of Engineering) Mechanical Engineering from Imperial College London the previous year.

Kento joined NAM UK in July 2013 as a Credit Analyst and was promoted to Portfolio Manager / Credit Analyst in June 2017. He has been a Senior Portfolio Manager and Credit Analyst since April 2019.

Kento reports into **Yuji Maeda**, the Head of Global Fixed Income at NAM UK:

Yuji has also been Chairman of the Fixed Income Investment Strategy Committee since 2013, having served as Vice Chairman since 2011. In addition, Yuji is also the Chairman of the Money Market Fund Investment Committee.

Yuji has specialised in managing fixed income portfolios since April 2010, having joined NAM Tokyo in 2001 after graduating from Hitotsubashi University with a Master's Degree of Economics. He started his career in the Economic Research Department, and was assigned to the Fixed Income Investment Department the following year.

PRINCIPLE 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context

NAM UK's Conflicts of Interest Policy outlines that, in performing investment management services for its clients, NAM UK may from time to time face situations in which a conflict of interest arises, typically between:

- the firm, including its managers, employees and appointed representatives (if applicable) or any person directly or indirectly linked to them, and a NAM UK client
- one client of NAM UK and another

In addition, the firm's own remuneration and incentive structure could present similar conflicts of interest if not controlled effectively.

Some non exhaustive examples of conflicts that could arise during the management of our clients' monies are shown in the table in the 'Activity' section below.

It is important that NAM UK maintains and operates effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent or manage conflicts of interest from adversely affecting the interests of its clients.

Activity

Management of conflicts is achieved through a variety of controls such as pre-approval, regular monitoring, disclosure, staff training and internal policies.

If these organisational and administrative arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, then NAM UK must disclose such potential conflicts to clients. The disclosure must be in a durable medium and include sufficient detail about the conflicts of interest and their risks for the client to make an informed decision with respect to the service in the context of which the conflict of interest arises.

Typically this will be done via the investment management agreement (IMA), or similar agreement appointing NAM UK, which will be signed by both NAM UK and its counterparty.

A 'Conflicts Matrix' is maintained which details the various conflicts that might arise within our business, and analyses the systems and controls in place to manage and control them.

Some non exhaustive examples which could arise in connection with investment management decisions made for our clients are shown in no particular priority order below:

Description of potential conflict scenario	Systems and controls in place at NAM UK to mitigate / manage conflict
Inside Information - use of non-public information (eg. about an investee company) to deal on behalf of NAM UK, its clients or staff, or to procure others to do so	1. Market Conduct Policy 2. Regular staff training on Market Conduct / Market Abuse 3. Personal Account (PA) Dealing Policy 4. Portfolio Management staff must follow the investment strategy set down by the appropriate stock selection committee when deciding which stocks to buy or sell for client portfolios, so a trade in an unrecognised company would not be approved in the trade creation part of the order management system
Dealing by NAM UK's personnel (or others to whom portfolio management or other services may have been delegated) ahead of clients' investments or in conflict with a client's investments	1. PA Dealing Policy 2. PA trades are recorded and checked via on online system programmed with pre- and post-trade restrictions such as checking the timing of PA requests against trades in the same stock for a client portfolio 3. Outsourced providers are required to have an appropriate PA Dealing policy in place and this is checked as part of the due diligence process
Use of brokerage affiliates to execute client trades, or to purchase IPOs or placings, neglecting best execution obligations	1. All brokers, including affiliates, are subject to approval by the Broker Evaluation Committee which has set criteria for selecting brokers 2. Use of broker affiliates is fully disclosed to clients and approved via the Investment Management Agreement 3. Best Execution & Order Execution Policy 4. Compliance transaction monitoring: 100% sample testing 5. Suitability for an IPO or placing is assessed by the relevant stock selection committee 6. Client approval to using affiliates for IPOs or placing is obtained via the Investment Management Agreement or on a case by case basis if the client requests as such
'Acting in concert' with the corporate finance entities of the wider Nomura Group – eg. if they were to act as the adviser to one of the parties in a takeover that is subject to the UK Code on Takeovers and Mergers	NAM UK and its affiliates have obtained Exempt Fund Manager (EFM) status from the UK Takeover Panel by successfully demonstrating that there are sufficient controls in place to limit the NAM offices' exposure to the corporate finance activities undertaken by Nomura affiliates in the UK and overseas. Comprehensive procedures ensure we are immediately informed by corporate finance affiliates of any such involvement in takeovers, whereupon appropriate action is taken to report (privately) any transactions to the Panel by the end of T + 1. Compliance alerts are added to NAM UK trading systems (client and employee) to monitor any trading in relevant securities.
Outside Business Interests – an employee or Non Exec Director could fail to disclose such an interest, leading to a direct or indirect conflict between the roles they perform for both parties	1. Outside Business Interests Policy 2. Prior approval required from senior management and Compliance for outside roles 3. Quarterly certification by Non Exec Directors of no conflicts

The Conflicts of Interest Policy and Conflict Matrix are reviewed on at least an annual basis by NAM UK Compliance and all Departmental Heads, or as and when any previously unidentified conflict arises. The results of the annual review are presented to the NAM UK Board.

All the policies mentioned above are part of the NAM UK Compliance Handbook, for which more information is provided in Principle 5.

In the last 12 months we commissioned an external assurance review of our Conflicts of Interest Policy and Matrix which, when reviewed against regulatory requirements (FCA SYSC 10) and industry best practice, considered that a number of areas in the Policy could be enhanced to more clearly articulate NAM UK's approach to the management of identified conflicts, which we have acted upon.

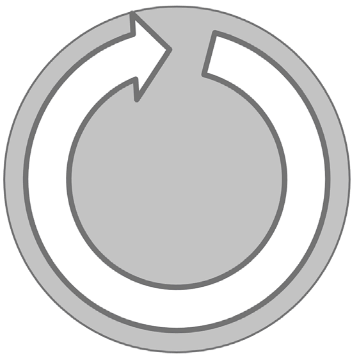
The assurance review of the Conflicts of Interest Matrix included conducting a soft mapping of the existing identified conflicts of interest categories against examples identified by the external assurance provider, informed by regulatory and industry publications and expectations for the sector. Against this background approach, it was considered that the Matrix captured the majority of conflicts of interest relevant to the investment management business that would be expected.

We recognise that conflicts may arise in the context of stewardship responsibilities. The diagram below shows how stakeholder objectives are prioritised in an effort to identify any potential conflicts, with the overriding principle being that our clients' interests should always be put before our own:

"Investing with a clear conscience"

1. Understand the objectives of all the stakeholders in an investment. For example:

- Our clients (the ultimate owner of the investment)
- Ourselves
- The investment company we work for
- The broader community
- The environment
- Others



2. Prioritise the stakeholder objectives. For example:

- Our client objectives are more important than our own
- Our client objectives are more important than those of the investment company we work for

3. Achieve balance between the stakeholder objectives, given the priorities and our analysis of the investment idea. For example:

- Between two otherwise identical investments we prefer the lower environmental damage company
- We generally prefer higher investment returns to higher investee company employee remuneration

Work to rectify poorly met stakeholder objectives. For example:

- Speak to the investee company specifically on ESG matters
- Communicate our concerns on corporate governance, environmental impact etc to the company
- Publicly report on our Responsible Investing activities including corporate engagements

Equities

There are no specific examples of where a conflict of interest has occurred during our stewardship and voting activity in the 12 month period to September 2022. Nevertheless, the examples shown above represent issues that could arise during the investment process and with the external assurance carried out in the last year we are comfortable that the controls in place are sufficient to mitigate any current risks, although the status is reconsidered on a regular basis.

Japanese Equities

Activity

Members of the Responsible Investment Committee, the highest decision-making body, include, in principle, only persons involved in investment and research decision-making, while people in a position with a conflict of interest or people with the possibility of acting on behalf of such persons are excluded. In addition, under the Audit and Supervisory Committee, we have established a Responsible Investment Council comprising only the Chief Conflict Officer and persons in independent positions in our company, including independent outside directors. This Responsible Investment Council monitors the Responsible Investment Committee's decisions as well as its overall management. The Council monitors stewardship activities, especially proxy voting involving conflicts of interest, to make sure that decisions are made that do not adversely affect the interests of clients as a result of conflicts of interest.

As required, the Responsible Investment Council recommends improvements to the Executive Management Committee and / or the Responsible Investment Committee, and reports on this to the Board of Directors and the Audit and Supervisory Committee. Furthermore, members of the Responsible Investment Council attend Responsible Investment Committee meetings, and are able to immediately state their opinions.

There are no specific examples of where a conflict of interest has occurred during our stewardship and voting activity in the 12 month period to September 2022.

Global Fixed Income

There have been no specific examples during the period of a conflict of interest arising as part of our fixed income portfolio management or stewardship process.

PRINCIPLE 4

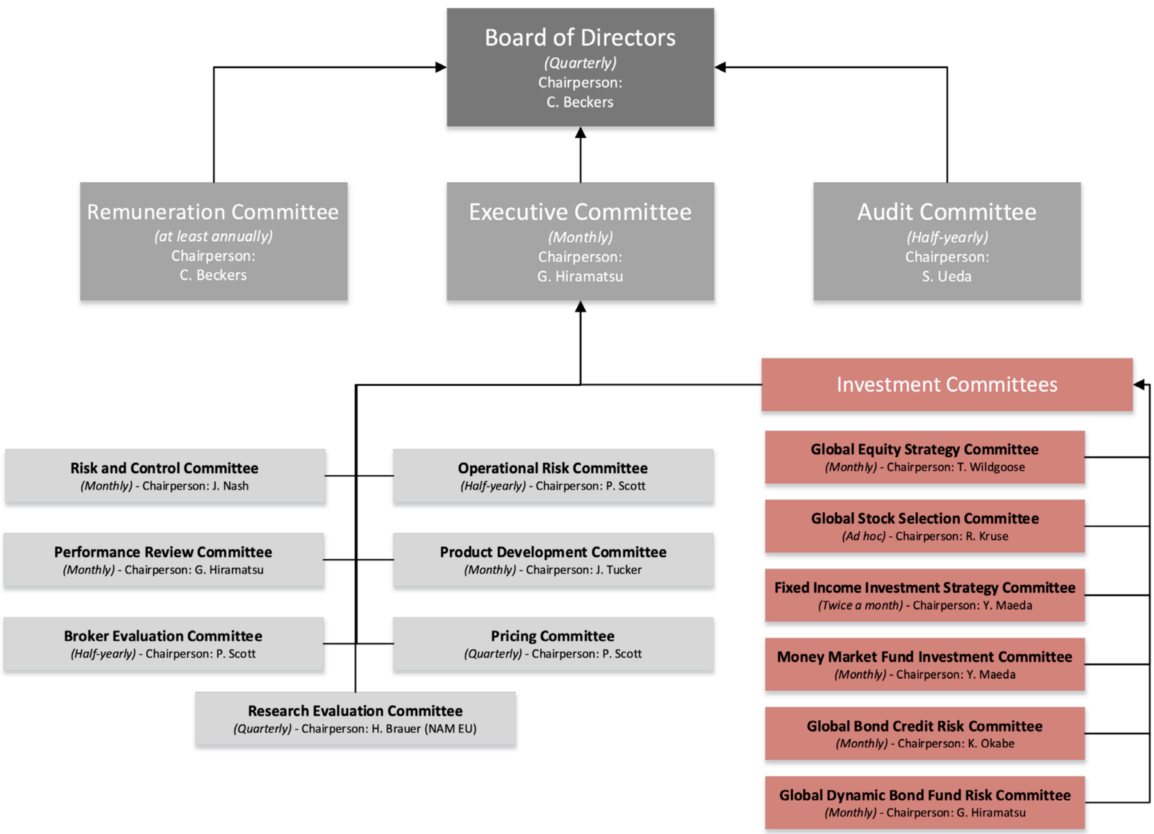
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

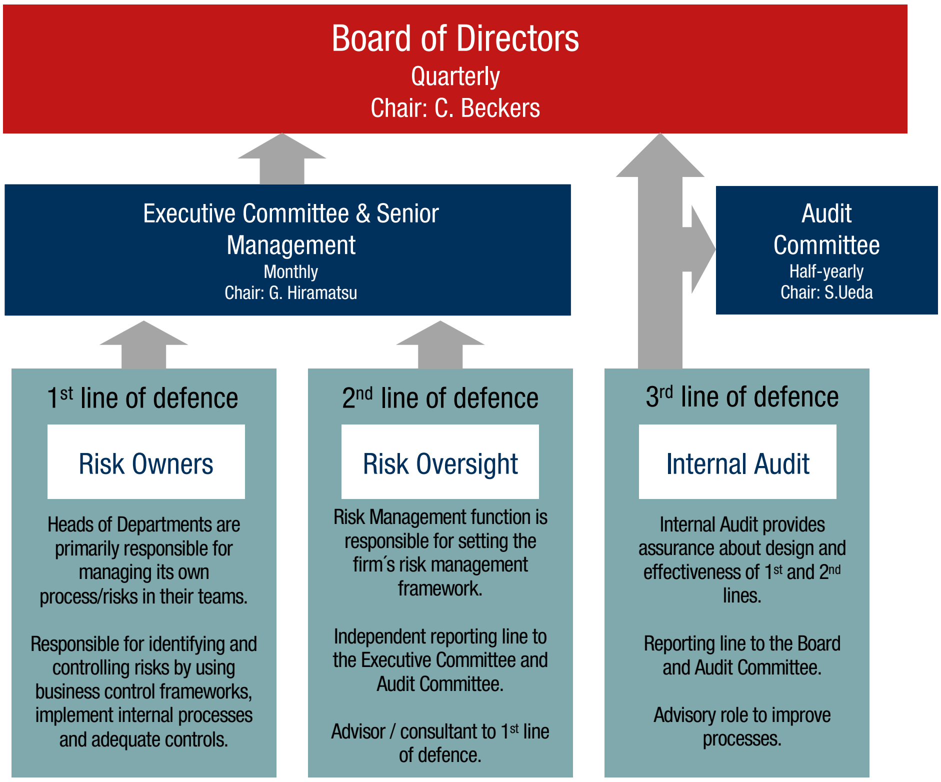
As a UK regulated MiFID investment firm, NAM UK is subject to the Investment Firms Prudential Regime (IFPR). Under the new IFPR, firms are required to consider harms to the firm itself, clients and markets, in proportion to the nature, scale and complexity of its business. This includes an assessment of the firm's business model and strategy and any misalignment with the interests of clients and the wider markets.

We have engaged an external third party who are working with us on our internal capital and risk assessment process (ICARA), which covers continuing risk management of the firm, incorporating business model assessment, forecasting and stress testing, recovery planning and wind-down planning. The new regime also introduces the Overall Financial Adequacy Rule (OFAR) which establishes the standard the FCA will apply to determine if a firm has adequate financial resources.

The NAM UK Board of Directors recognises that the management of risk is critical to the well-being of our clients and our business, and the financial system as a whole.

Consequently, there are several risk forums overseeing all elements of risk within the business. The documentation and analysis of these risks tends to be of a proprietary nature and not available to our clients, therefore this document briefly summarises management's approach in the aforementioned areas and in so doing, makes reference to the key internal risk documents within NAM UK.





Operational Risk

An element of operational risk is of course inherent to the NAM UK business model. Management have therefore established an Operational Risk Committee, chaired by the Chief Administrative Officer and attended by all Department Heads, who meet on a half-yearly basis to review departmental risk profiles and management information reports including key risk indicators. This allows senior management to identify and address developing risks and trends within the business at an early stage. An operational risk report is also submitted to the quarterly meeting of the Board of Directors.

Operational risk incidents and errors are reviewed by the Risk and Control Committee (RCC), which meets on a monthly basis and is chaired by the Head of Compliance and its members include the CEO, the CAO, Head of Human Resources, VP of Compliance & Operational Risk Officer, and the Head of Finance. The RCC members review operational risk incidents and errors on a case by case basis to ensure fair treatment for our clients and the implementation of preventative measures to stop a recurrence.

Business Risk

NAM UK has a relatively low risk appetite which stems primarily from the nature of the business: long term asset management with typically stable cash flows, absence of proprietary trading, low capital requirements and conservative management of surplus capital. This is complemented by the culture of the organisation which seeks to develop and maintain long-standing relationships with clients. A detailed analysis of business and capital risk is performed annually by NAM UK including stress testing of a variety of operational and business risk scenarios. This risk analysis is reviewed and approved by the Board of Directors and submitted to the Financial Conduct Authority upon their request.

Regulatory Risk

Management acknowledge that instances of regulatory failure can be extremely damaging and therefore have a particularly low appetite for regulatory risk, ensuring an effective compliance culture within the business. This culture is managed and promoted by an independent Compliance Department backed by comprehensive policies and monitoring programmes. The Compliance Handbook sets out a broad range of regulatory principles and standards of conduct which must be adhered to by NAM UK staff, as well as more specific policy documents, including obligations on the firm and individual employees and specific conduct of business standards to be followed when acting on our clients' behalf.

NAM UK's Market Conduct Policy states that all staff must observe and uphold proper standards of market conduct. Good market conduct can be demonstrated through fairness, transparency and compliance with the rules, regulations, codes of conduct and standards in the markets and jurisdictions, regulated or unregulated, in which NAM UK operates.

Market-wide risks considered in the last 12 months include:

- Covid lockdowns – has been more of a problem in Asia where there has been zero Covid policy in China for example, affecting many company supply lines – e.g. shortage in microchips
- Russian Invasion of Ukraine – caused market turmoil affecting some funds directly which hold RUB dominated debt. Sanctions meant these positions could not be sold and were consequently priced at zero by our Fair Value Pricing Committee, inline with peers. Markets became extremely volatile post invasion leading to some redemptions on our funds at a time when liquidity deteriorated across Fixed Income markets, especially Emerging Markets, showing how Market Risk can quickly lead to Liquidity Risk. This macro risk is ongoing and likely to get worse – gas supply across Europe is deteriorating and possibly will lead to rationing/black outs this coming winter but has worked its way into the real economy now, causing inflation across the board in the West.
- Recent high inflation has meant the beginning of Central Banks increasing interest rates, causing yields to increase and sector/style rotations within equity markets.
- With energy prices, interest rates and inflation increasing, consumers especially in UK and Europe are under pressure.
- Climate Risk – we saw a mixture of droughts and flooding over the past 12 months. Short term, the Russian invasion has seen use of more fossil fuels in Europe to make up the shortfall (gas is the intermediate step between fossil fuels and renewables).
- Rising tensions between US and China have weighed on an already under pressure semiconductor sector (a sector many of our equity funds invest in) whereby the US has banned the most advanced chips from exporting to China.

Equities

Activity

Our independent investment risk manager not only has oversight of the equity funds but provides value adding analytics such as stress tests and style exposures. The investment team are aware of how their portfolios and benchmarks react to an increase in (US) interest rates, a fall in inflation and an increase in gas prices – all currently relevant macro events. The investment team are also aware of their fund style skews and how the current portfolio performs in historical events of the past e.g. Q3-Q4 2021 sector rotation, with investment risk fully embedded within the investment process and the team sometimes adjusting the portfolio according to factor exposures.

Though liquidity risk is less of a significant problem, it is still a risk that is monitored and that can appear in unexpected ways e.g. a stock that cannot effectively be traded because there are problems converting the currency (an example would be the Nigerian Naira).

The investment risk manager also has oversight of climate stress tests and portfolio level emissions and, along with market and liquidity risk, worrying exposures/correlations will be presented to the investment team and if deemed necessary, escalated to senior management. There are also individual monthly meetings with the manager of each fund as well as a monthly Global Equity Risk meeting attended by the investment teams based in UK, Malaysia and Japan. Market and liquidity risk reporting is produced monthly while climate stress tests are produced and analysed/presented quarterly.

As an example of how investment decision-making and stewardship activity is aligned with identified market-wide and systemic risks, a key issue of systemic risk is that of corporate governance in companies. Poor corporate governance is often associated with business failure and as such as a central place in our proxy voting policy, from which the following is an excerpt:

- In principle, we vote for the election of outside directors. However, we pay special attention to the directors' qualifications, such as their independence. We determine the independence of the outside directors from a comprehensive perspective on whether they are representatives of major shareholders, have received a large amount of income other than executive remuneration from the company in question, and are related to other executive members.
- We will request that independent persons should be appointed as non-executive directors. If it is found that the degree of independence of a candidate is low, we will in principle vote against the appointment of the candidate as a non-executive director.
- We favour the separation of CEO and chair of the board of directors roles, and as such we will in principle vote against any proposal that will combine the CEO and chair of the board of directors roles.

Global Fixed Income

Activity

The independent investment risk manager has oversight of all Fixed Income funds managed from the UK office. The investment teams are aware of how their portfolios and benchmarks react to an increase in rates and credit spreads, and of their fund Tracking Error Volatility (TEV), active duration and credit rating at different levels of granularity.

The independent risk manager monitors daily VaR reports for our Global Dynamic Bond Fund and when the fund approaches the UCITS limits the investment team are informed with escalation to senior management a route available if necessary. The liquidity profile is monitored closely as it does hold a significant percentage in less liquid Emerging Markets and hybrid securities like Convertible Bonds. This is particularly pertinent as since the Russian invasion Fixed Income markets have generally been less liquid.

The investment risk manager attends a monthly risk meeting along with senior management and the investment team where market risk, liquidity risk and worrying exposures/correlations can be presented, discussed and if necessary, escalated.

Consideration of both market-wide and systemic risks is a key element of our fixed income research process. We have consistently positioned portfolios to be hedged against (or indeed benefit from) market-wide and systemic risks and we continually re-examine our positioning and investment processes to ensure that they remain relevant to current market conditions.

Contribution to industry initiatives in response to systemic risks

Other identified systemic risks are referred to in the NAM overview section on ESG on page 11 of this report.

As outlined in Principles 7 and 10, we use climate-related data and actively support industry initiatives to promote sustainable investment and reflect NAM's ESG Statement.

Japanese Equities

When it comes to a portfolio company's climate-related risk, instead of looking only at carbon metrics for the company alone, we believe it is important to discern and analyse carbon metrics throughout the entire life cycle of a company's products and services as well as throughout the supply chain. Furthermore, we refer to GHG absorption in our analysis of climate-related risks.

We manage portfolio risk using ISS's analysis methods for transition risk and physical risk. In addition, we identify and manage portfolio companies' transition risks and physical risks using our own corporate analysis and ESG scores, as well as through engagement.

Such risk management analysis outcomes are integrated into the comprehensive risk management process. As such, they are shared within the Investment and Research Division, and are reported to both the Executive Management Committee and the Board of Directors after being monitored by the Responsible Investment Committee.

PRINCIPLE 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

In terms of stewardship and engagement, we seek to act in a manner most likely to enhance the economic value of the underlying companies owned on our clients' behalf. We engage with companies based on NAM's global Basic Policy for Responsible Investment referred to on page 10. The policy defines the concept and specific approaches to responsible investment, and includes appropriate management practices expected of investee companies, and basic principles of engagement and voting rights, and was last updated in December 2021.

To date, we have not sought external assurance of our stewardship and engagement arrangements (for example, alongside the annual ISAE 3402 audit of NAM UK's internal controls), relying instead on our '3 lines of defence' model shown at Principle 4 and other processes and committees, such as those referred to in the sections below, to review the effectiveness of our approach. However this decision will be kept under review as service providers develop their processes for external assurance in line with the substantially revised UK Stewardship Code 2020.

In the light of the revised 2020 Code, we have reviewed the comments and guidance provided by the Financial Reporting Council on reports issued by 'early adopter' firms and others during 2021, and the individual feedback we received as a result of our report covering the period to September 2021. This has led to more detailed explanations as required, and an increase in the number of examples and case studies provided in this report, although we also encourage readers to refer to the dedicated Responsible Investment page of our website for additional information:

https://www.nomura-asset.co.uk/esg-responsible-investment-asset-management/

More generally, NAM UK employees must comply with a suite of global, UK firm-wide and departmental policies governing individual and company conduct. The NAM UK Compliance Handbook is provided to all staff within the first weeks of their joining the company, and again on an annual basis after a review and update by the Compliance department (or updated on an ad-hoc basis if circumstances require).

The latest policies are dated September 2021, with the 2022 review underway at the time of publication of this report:

Clear Desk & Confidentiality	Cyber Security	Market Conduct
Cluster Munitions	Data Protection	Order Execution & Best Execution (Equities and Fixed Income)
Complaints	Errors	Outside Business Interests
Conduct Risk	Financial Crime – including AML / KYC due diligence procedures, Anti Bribery & Corruption and Fraud Governance Policies, sanctions and facilitation of tax evasion procedure	Personal Account Dealing
Conflicts of Interest	Gifts, Entertainment & Donations	Speaking Up (Whistleblowing)

All employees must acknowledge receipt of, and their adherence to, the Compliance Handbook via an online certification.

We have produced a Modern Slavery Act statement since 2016 and the latest version is available on our website and also the UK Government's Modern Slavery statement registry:

https://modern-slavery-statement-registry.service.gov.uk/statement-summary/j7AECvAv/2022

Compliance with NAM UK policies is mandatory and a failure to do so may lead to action being taken (including but not limited to disciplinary action which could include dismissal.) Failure to comply with a policy may also be considered as a conduct breach, which will be recorded and reported to relevant NAM UK committees. It may form part of the data reviewed regularly by the firm to assess conduct and may subsequently be escalated through the compensation control process and considered in conjunction with all relevant circumstances in year-end compensation and certification decisions.

NAM UK policies are accompanied by the annual 'Compliance Update' presentation, which is a face to face, interactive session to provide all staff with an update on regulatory issues and to remind them of their individual obligations and those of the firm.

Equities

Activity

We continually review and update our approach to Responsible Investing in the light of new developments in the industry and / or to tackle emerging issues. For example we have updated our Responsible Investment Philosophy to incorporate an increasingly sophisticated view of investing responsibly. In particular we seek to have a positive impact on all stakeholders so have increasingly adjusted our policies and processes to improve here.

Outcomes

Oversight of our processes is carried out by the Global Equity Responsible Investment Committee referred to in Principle 2. In addition there is comparison to industry best practice which is ultimately owned by the Head of Global Equity.

We report quarterly on our responsible investment efforts and provide full transparency into our engagement and proxy voting activity via our website. We provide quarterly portfolio impact and ESG risks to segregated mandate clients and seek to provide as much transparency as possible to support their assessment. We constantly seek feedback from clients on the effectiveness of this, via our dedicated Client Relations team, as explained in Principle 6.

Japanese Equities

Activity

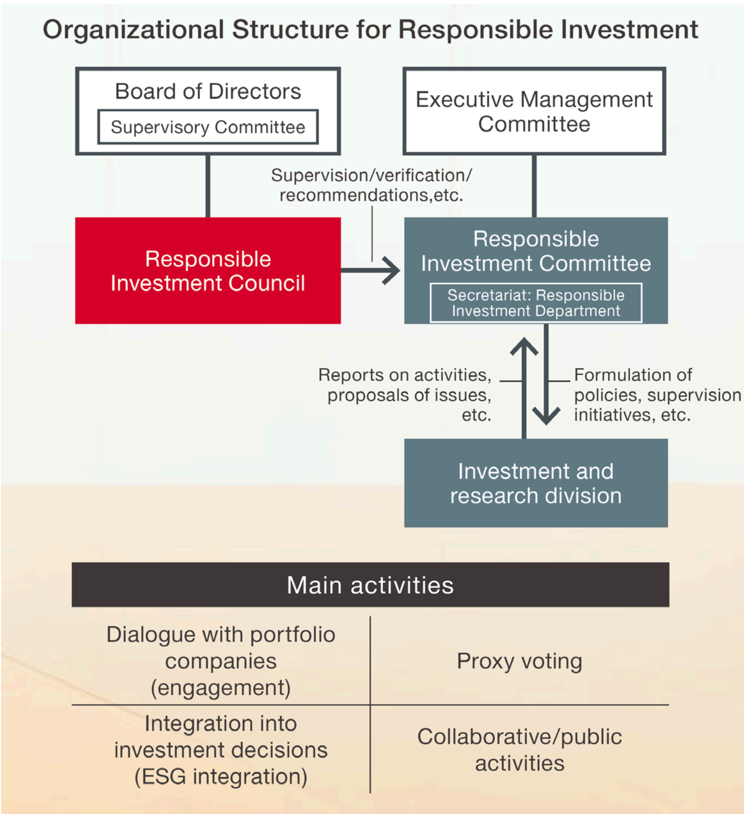
We actively engage in stewardship activities in order to encourage portfolio companies to increase their corporate value and promote sustainable growth, and to increase medium to long term investment returns for our clients and beneficiaries.

Outcomes

As also referenced under Principle 2, the Responsible Investment Council verifies the appropriateness and validity of stewardship activities, including the formulation of proxy voting guidelines, proxy voting decisions, the formulation of engagement policies and engagement activities, thereby aiming to prevent adverse impacts on clients' interests due to conflicts of interest or other issues.

The Responsible Investment Council is positioned under the Audit and Supervisory Committee. As necessary, the Responsible Investment Council recommends improvements to the Executive Management Committee and / or the Responsible Investment Committee, and reports such recommendations to the Board of Directors and the Audit and Supervisory Committee.

As described in more detail in Principle 2, the Responsible Investment Council performed a self-evaluation of stewardship activities in 2021 (January to December).



Global Fixed Income

Activity

Areas of concern are highlighted through our credit research process that examines both financial and non-financial (ESG) elements of corporate debt issuers' businesses. Our analysts undertake their research on a sector basis and use both qualitative research and quantitative tools to examine both financial and non-financial criteria.

Where the analysts identify issues which they believe can be improved or addressed, they engage directly with the relevant companies to make their views known. This part of the investment processes is not limited only to companies in which our strategies have invested, but also to potential investee companies.

Outcomes

The stewardship elements of our processes have made significant steps forward with the explicit inclusion of non-financial criteria as detailed elsewhere in this report (see Principle 7). The success of this process is reviewed through our regular Investment Process Review Committee structure, which is a regular, formal review of each of our investment processes, chaired by our Chief Investment Officer.

PRINCIPLE 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context

As described on page 4 of this report, NAM UK is the London based entity of the NAM Group providing investment management services to segregated institutional client portfolios and investment vehicles, such as investment trusts and mutual funds. Our client base includes UK and European pension funds, government agencies, corporate clients and funds throughout Europe, the Middle East, Asia and the Americas, whose investment objectives are for the medium to longer term, being a minimum of 3-5 years in general.

As at 30 September 2022 the breakdown between client sector, asset class and investment region for NAM UK-contracted clients was:

Client Sector	£ millions
Institutional Mandate	4,124
Japan Institutional	111
UCITS	7,954
Money Market	4,360
Total AUM by Client Sector	**16,549**

Asset Class	£ millions
Global Equity	2,376
Japan Equity	2,206
Fixed Income	7,647
Money Market	4,320
Total AUM by Asset Class	**16,549**

Investment Region	£ millions
US	5,783
Global	4,090
Japan	2,902
Asia	1,049
Europe	408
Emerging	359
Other	1,958
Total AUM by Investment Region	**16,549**

Activity

Our Client Relations Team at NAM EU, UK Branch are dedicated to the provision of client service and reporting, including the communication of engagement and stewardship activity. The London-based function is responsible for NAM's customer relationships within the EMEA region, attending to clients including central banks, sovereign wealth funds, public and private sector pension schemes, global private banks and other financial institutions.

All client mandates are assigned a senior member of the team who assumes overall responsibility for every aspect of the ongoing relationship; this team member serves as a dedicated point-of-contact, throughout the relationship lifecycle.

The Head of Client Relations and our senior Client Directors have an average of over twenty years asset management experience, covering the full-range of assets and clients. We are flexible, and will always aim to service our clients according to their needs.

The majority of the team's time is involved with managing day-to-day communications with clients, acting as an advocate of client needs within the business, be that with our investment teams, or across support functions, including compliance, legal, finance, IT and operations. The team is responsible for the co-ordination of reporting, portfolio reviews and ad-hoc relationship meetings with clients. A key aim of the team is long-term partnership with clients, to establish a strong understanding of their organisation and their wider needs. This means that the team are extremely comfortable to engage and facilitate discussions regarding potential new investment opportunities through existing relationships that we manage.

We recognise that the service and reporting expectations of different client types, across different geographic regions, can vary significantly. We therefore aim to be flexible and engage with clients at the earliest opportunity to best understand their requirements, thereby ensuring that all sides are always aligned in terms of their expectations prior to appointment.

Client instructions in respect of the investment mandate are outlined in the Investment Management Agreement that we enter into, and may include restrictions or other preferences in terms of investee companies and / or sectors into which we may or may not invest, thereby reflecting our clients' opinions on ESG issues amongst others.

Equities

Activity

Our engagement activity and ESG research has been published publicly, on a quarterly basis, since 2016 in an effort to promote transparency and increase the impact of our activity. Since 2021, our proxy voting and engagement data has been available via an interactive dashboard on our website, having previously been included as an appendix to the quarterly report. This allows more flexible analysis of the work we have done across time and by geography, industry, category, UN Sustainable Development Goal, our own ESG goals and more.

We also contribute to the NAM-wide Responsible Investment Report which is produced annually, the latest being issued in July 2022, covering the calendar year 2021.

We always seek to incorporate or improve in response to feedback. For example, an investor in our Global Sustainable Equity strategy raised concerns with us about the Electric Vehicle (EV) manufacturer holding in the portfolio. We believe the company to have extremely high environmental impact through leading the transition to EVs but it is our opinion that the impact on other stakeholders could be improved. We engaged with the company on a range of issues including the allegations of taking actions to squash unionization discussion, discrimination in the workplace and legal cases in relation to crashes when the vehicles have been in auto pilot mode. We are further continuing discussions with a shareholder group to explore how we can better work with other stakeholders to push for improved practices in relation to policies around collective bargaining in particular.

Japanese Equities

Activity

As a responsible investor entrusted with our clients' assets, in addition to providing investment returns, we proactively work to create medium to long term sustainability, including for ESG issues.

We strive to deliver consistent investment performance for our clients. At the same time, the global business environment for the asset management industry has undergone rapid change as the needs of our clients have become increasingly sophisticated. Addressing the growing needs of our clients and delivering solutions that help them meet their investment goals are our key priorities, aiming to respond to all such asset management needs.

Information provided to clients on stewardship activities include the annual Responsible Investment Report and quarterly proxy voting results published on the NAM website:
https://global.nomura-am.co.jp/responsibility-investment/vote.html

NAM is also a signatory to the Principles for Responsible Institutional Investors (Japan's Stewardship Code) and publishes its undertakings on its website.
https://global.nomura-am.co.jp/responsibility-investment/investors/stewardship.html

Global Fixed Income

Activity

Our Fixed Income team has made a detailed, quantitative assessment of the various ESG factors that most materially impact the risk/return outcomes associated with the securities in their coverage, and focused their ratings on these factors to increase the effectiveness of their analysis. This analysis and research has allowed the team to have specific dialogues with our clients about stewardship goals for their portfolios. We now manage a number of mandates with specific requirements to align with ESG factors.

Not all our clients have specific stewardship requirements, and we continue to engage with these clients as to their likely future needs.

PRINCIPLE 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

We believe that investing in securities that exhibit sustainable returns and / or cash flows best serves the needs of our clients. In addition, we recognise the role of ensuring that capital markets function for the benefit of society in general. NAM UK therefore seeks to manage the business sustainably and to invest in securities issued by sovereigns, companies and institutions that also operate sustainably.

We place our clients' interest at the heart of all our activities and those clients are overwhelmingly long-term investors. As such, they are concerned with the long-term performance from the strategies and funds that we manage on their behalf. Our research processes for both equity and fixed income strategies incorporate the explicit consideration of sustainability factors and, depending on the specific characteristics of each client's account, these will be reflected to a greater or lesser degree.

Whist we recognise the potential negative impacts of sustainability risk – being an environmental, social or governance event or condition that, if it occurs could cause an actual or potential negative impact on the value of an investment, our approach to sustainability goes beyond this definition. Our portfolio managers and analysts seek to understand the sustainability problems and / or merits of our investee sovereigns, companies and institutions so that they may actively identify opportunities to add value to client portfolios. For instance, where we identity equity issuers that operate sustainable, transparent business models that are of benefit to a wide group of stakeholders (shareholders, employees, customers and society at large), we can have greater confidence that these business models will continue to drive profits and cashflows into the future. Similarly, where we identify bond issuers whose business models imply lower risk of, say, negative regulatory action, we can have greater confidence that interest and principal repayments can be met.

Given the varied nature of the investment strategies we manage, ESG-based exclusion criteria are kept to a minimum at firm level. However, on a NAM-wide level, we will not invest in companies identified as cluster munitions manufacturers. The companies subject to the ban are those on the "Red Flag List of cluster munitions producers" published by the NGO "PAX":
https://paxforpeace.nl/what-we-do/programmes/cluster-munitions

All actively managed funds / accounts are prohibited from owning cluster munition producers. This list of issuers is maintained by our Compliance teams and trading in their securities is prevented by pre-trade checks.

Further ESG-based exclusion criteria can be (and are) applied more extensively to individual strategies.

The approaches to analysis of ESG issues vary amongst the investment teams, but the portfolio managers and analysts share a common goal to understand both threats and opportunities to the business models of potential investee sovereigns, companies and institutions from an ESG perspective, and thereby develop a fuller understanding of the downside risks or potential valuation upside of the securities concerned.

Issues such as climate change, human rights problems, and diversity have become common issues that need to be addressed globally and over the long term, and they also have a major impact on our portfolio management. Our investment teams manage portfolios based on a stock selection process that takes various ESG factors into consideration. When assessing a company as an investment target, managers of actively-managed portfolios must consistently ask ‘is this a company that controls ESG risks and opportunities and can continue to grow in five or ten years?’ and manage the portfolio by examining investee companies from a long term perspective.

In NAM’s investment processes, in addition to ESG specialists, ESG investment managers and teams including portfolio managers are partially responsible for ESG assessments. When selecting, buying or selling a stock, the portfolio manager checks ESG information through a database that manages a variety of ESG data in-house prior to making an investment decision. In addition, each investment manager controls the ESG risks and opportunities in the portfolio based on the ESG integration policy of the fund, strategy or client in question. For example, the carbon footprint of a portfolio is a very important indicator for asset owners aiming for net zero. When selecting a stock, the carbon footprint of the company is checked and we strive to keep the footprint of the portfolio lower than the benchmark.

The portfolio managers and analysts make extensive use of data from third party ESG specialists, including ISS and MSCI. This data can assist them to identify potential ESG concerns. However, it can only be a starting point. As a (potential) provider of either equity or debt capital, NAM UK has the ability to engage with and understand companies’ business models in depth, and the portfolio managers and analysts conduct fundamental analysis in order to reveal and evaluate potential ESG issues.

Analysis helps us to understand the risks and opportunities. The issues are then debated more broadly amongst our investment professionals, and ESG ratings and risk assessments are ratified and officially recorded as part of the investment process for both equity and fixed income strategies.

Where our investment professionals identify ESG issues which they believe can be improved or addressed, they engage directly with the relevant companies or issuers to make their views known. This part of the investment process is not limited to only companies or issuers in which our strategies have invested. The reaction of top management during engagement meetings and the status of milestone achievements can also be important signals for portfolio managers when evaluating ‘opportunities.’

We maintain a comprehensive proxy voting policy that covers our approach, and the analysts’ ESG research may influence how such votes are cast. More details on our proxy voting approach and results are provided under Principle 12.

ESG ratings are kept under regular review, and updated whenever our research on a particular company or institution is updated. Reviews are subject to a formal ratings processes for the relevant strategies, as shown later in this Principle.

Environmental sustainability risks for the value of our clients’ portfolios may include, but not be limited to:

- Climate change
- Carbon emissions
- Air pollution
- Water pollution
- Harm to biodiversity
- Deforestation
- Energy inefficiency
- Poor waste management practices
- Increased water scarcity
- Rising sea levels / coastal flooding
- Wildfires / bushfires

Social sustainability risks for the value of our clients' portfolios may include, but not be limited to:

- Human rights violations
- Human trafficking
- Modern slavery / forced labour
- Breaches of employee rights / labour rights
- Child labour
- Discrimination
- Restrictions on or abuse of the rights of consumers
- Restricted access to clean water, to a reliable food supply, and / or to a sanitary living environment
- Infringement of rights of local communities / indigenous populations
- Cluster Munitions

Governance sustainability risks for the value of our clients' portfolios may include, but not be limited to:

- Lack of diversity at Board or governing body level
- Inadequate external or internal audit
- Infringement or curtailment of rights of (minority) shareholders
- Bribery and corruption
- Lack of scrutiny of executive pay
- Poor safeguards of personal data / IT security (of employees and / or customers)
- Discriminatory employment practices
- Health and safety concerns for the workforce
- Poor sustainability practices in the supply chain
- Workplace harassment, discrimination and bullying
- Restrictions on rights of collective bargaining or trade unions
- Inadequate protection for whistleblowers
- Non-compliance with minimum wage or (where appropriate) living wage requirements

Equities

Activity

We operate long term investment strategies and market them as such. In the longer term apparently non-economic, sustainability factors such as environmental and social factors as well as corporate governance factors tend to overlap with more typical economic factors. In this way sustainability is naturally part of our core investment approach. Additionally, however, we have a public philosophy on Responsible Investment that addresses the impacts of investment decisions on all stakeholders, including the environment, society, customers, employees and suppliers as well as shareholders.

Our philosophy is that Responsible Investing is the process of giving consideration to the total impact of investee entities on all stakeholders, not only the end investors (our clients) but also customers, suppliers, competitors, broader society, employees, the environment and ourselves. The starting point, as responsible investors, therefore is to think about the total utility or 'total value' created by the investee or potential investee entity. The total value created is not just financial but the benefit delivered to all stakeholders, including the happiness brought to customers, the employment and growth opportunities brought to the employees, the impact on the environment, etc. In addition, we will put emphasis on the fair sharing of the total value among the various stakeholders.

Clearly there are potentially materially negative impacts on investment values as a consequence of environmental, social and governance events. For example the risk of assets becoming stranded or the increasingly common natural disasters and / or rising sea levels are well known. Less well understood risks, also covered by our Responsible Investment Philosophy, include the unfair sharing of value created by investee entities, as mentioned above.

We integrate ESG analysis and active engagement into all our stock review activity across all funds. We rate each company we review on ESG matters as either "No Issues", "Issues but Improving", "Issues not Improving" or "Uninvestible". We have a thorough and objective approach to assessing whether we consider a company to be uninvestible or not, based on our proprietary "uninvestible" framework tool and this is extended to form the basis of our exclusion list. Should a specific event occur with one of our existing holdings (such as corruption scandal) we will complete the "uninvestible" assessment prior to the decision to exit the holding.

The team's proprietary Total Stakeholder Impact Framework is used to make a holistic assessment of the total impact on all stakeholders (the environment, society, employees, customers, suppliers and us as shareholders) and identify those companies that can have the greatest positive impact on our six impact goals.

Position sizing takes into account both the standalone attractiveness of the company as an investment and its positive ESG impact.

Portfolio level monitoring includes carbon intensity, and climate transition alignment, which is presented on a quarterly basis to the entire team for review.

We track and report on the impact of our underlying positions and engage extensively to maximise the positive impact.

ESG analysis is undertaken by the investment team themselves and as such is automatically integrated into the investment decision making process. Having said that, we do use some third party ESG research/data from sources such as MSCI and ISS ESG. Where a company has identified ESG issues we will engage with the company to seek improvement and also participate in collaborative engagements with other investors, further details of which are provided in Principles 9 – 12 of this report.

Further details of our procedure to

1. Identify and assess sustainability risks
2. Make consistent decisions related to sustainability
3. Monitor sustainability risks

are outlined in the information we have provided in response to the EU's Sustainable Finance Disclosure Regulation (SFDR) which is available on our website:

https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Global_Equities.pdf

The website also contains links to the sustainability risk processes of our affiliate offices which may differ to the approach of the Global Equity team based at NAM UK, Singapore and Malaysia due to different funds, asset classes and geographies.

Examples of integrating ESG issues and data into stewardship

Inter-company collaboration

As part of our ESG integration and engagement programme, we attempt to connect companies to encourage sharing of best practices with regards to ESG. It is to be expected that some companies are further along their journey in achieving their ESG goals and we believe it is useful to connect them with others who could benefit from their experience.

We consider companies from various industries in such situations as practices can often be shared regardless of sector, however for companies in the same sector we attempt to ensure there is a low level of overlap in terms of geography or business to encourage free flow of information without the worry of possible future competition. One must also be aware that potential knowledge sharing is predicated on the goodwill of the company and not a given, so creating a relationship with the company is also useful.

As part of our ongoing efforts, we were looking to find a partner for an Asian banking conglomerate who was keen to participate in such an exercise. Our first attempt at connecting the bank with a suitable partner proved unsuccessful due to logistical issues, however we successfully found a European bank as a willing participant.

After organising the meeting and introducing the relevant parties, we withdrew from the meeting to further encourage the free flow of information. Topics of discussion included sustainability management, target setting and monitoring and reporting (focus was on how the various divisions report into the group team). The teams also discussed how external and global initiatives such as UN PRI, TCFD reporting and participating in schemes such as the DJ Sustainability Index were included in the company's strategy and targets.

ISS Climate Impact Assessment – Aggregate Global Equities Holdings

Institutional Shareholder Services (ISS) provide us with climate related analysis of our portfolios, based on the stock holdings. In our quarterly investment reports we provide key elements of this analysis in respect of the aggregated stock holdings of the portfolios managed by the Global Equity team.

The ISS analysis compares Scope 1,2 and 3 emission exposure, relative carbon footprint, carbon intensity and weighted average carbon intensity of the portfolio holdings to those of the MSCI All Country World Index benchmark as defined by ISS.

Climate Scenario Analysis

The climate transition will require companies to align themselves with international climate goals and progress on those in the future. The International Energy Agency's (IEA) Sustainable Development Scenario (SDS) is Paris Agreement-aligned and uses 1.8°C with a 66% probability, 1.65°C with a 50% probability and no reliance on global net-negative CO2 emissions. Currently our aggregate portfolio holdings are aligned with a SDS budget until 2031. To improve the climate profile of our holdings is a key objective for our engagement programme, hence we included "Mitigate Climate Change" as one of our six Impact Goals and a focus area for ongoing engagement.

Climate Target Assessment (% portfolio weight)

Our aggregated holdings' commitment to align with international climate goals is compared against the MSCI All Country World Index on a periodic basis and reported in our quarterly Responsible Investment Report.

Diversity & Inclusion Project

We believe that a truly diverse workforce contributes to an enriched company culture that serves as an incubator for innovation, personal progress and overall business growth.

In Q1/2022 we decided to assess companies' culture and sense of belonging of employees by creating a D&I survey, which we initially distributed to all investee companies of our Global Sustainable Equity (GSE) portfolio. In total 70% of the engaged companies provided detailed answers to our survey, 17.5% acknowledged our engagement and directed us to public company resources, while 12.5% did not acknowledge nor reply to our enquiry.

We asked about top level oversight, including whether the company has a specific board member responsible for human capital management and a Chief Diversity & Inclusion Officer. We observed that the majority of our portfolio holdings (60%) did have such board representation either through the Compensation Committee or through Head of Human Resources providing regular updates to the board. In addition, 85% of GSE's investee companies had a Chief Diversity & Inclusion Officer, or a similar role.

We posed questions regarding companies' D&I targets and monitoring of those, as well as whether the outcomes of business key performance indicators (KPIs) on the topic were directly linked to management remuneration. We were positively surprised by our findings that around 85% of GSE companies had established company D&I KPIs, as well as that the majority (55%) had D&I metrics already tied to management remuneration.

Next, we focused on workforce representation and asked companies to quantify their current workforce diversity. Among the questions were representation of women and minorities in senior management, middle management, as well as in technical positions. This part of the survey was certainty the most challenging one, due to issues such as inconsistency of definitions and reporting styles used, the presence of various applicable laws across different jurisdictions and challenges / failure to collect and / or disclose data.

Average percentage of women in senior management positions across GSE holdings was approximately 27. For management overall, this number increased to approximately 39%.

In terms of reporting of minorities' representation in the workforce we found that the quality of disclosures and definitions is still very poor. Due to the fact we hold global companies, which operate across multiple jurisdictions with different applicable laws, comparability is very difficult. For instance, in some countries (France, Germany) collection and disclosure of data on minorities is restricted by law.

Last but not least, we asked questions on companies' turnover figures and employee satisfaction surveys. In addition, we included an open-ended question on culture, to provide companies with the opportunity to highlight anything that would contribute to our better understanding of the overall environment. Based on our results we found that while employee satisfaction surveys were a common practice for all companies in our Global Sustainable Equity strategy, only around half of the companies reported employee turnover figures and for those that did the figures were rarely consistent (e.g. total turnover vs voluntary turnover).

This is an ongoing project and we plan to send out the survey again in future. We have added the information collected to our ESG database and it is used as part of the quantitative and qualitative assessment of new and existing investee companies.

Global Sustainable Equity portfolio exit on Sustainability Grounds

Across our portfolio, whilst always searching for companies with positive impact, we accept that occasionally mistakes will be made at our investee companies. How management teams deal with these issues plays a large part in whether we decide to retain our stakes in these companies.

During Q1/2022, we became increasingly concerned about one of our long-term pharmaceutical holdings. The company has had numerous historical problems during prior decades but we had previously decided to give the current management some benefit of the doubt, given they had limited responsibility for the historical problems and these issues were small in the context of the size of the company. However we have now changed our mind. Late last year, management decided to take aggressive legal action to limit the ability of plaintiffs to seek compensation. We felt that this action was not compatible with our sustainability investing approach and have since divested our stake. The origins of this case date back to a legal innovation discovered in Texas five years ago.

During 2017, a Koch Industries business called Georgia-Pacific and their law firm Jones Day found a way of splitting a corporation in two under Texas law and moving bad liabilities into one of the new businesses. This would leave the original business unencumbered by the historic liabilities. In this case, Georgia-Pacific split the asbestos related liabilities into a new company called Bestwall that would be given access to some funds for the claimants and would then declare bankruptcy. Henceforth no legal redress could be brought to Georgia-Pacific for these liabilities. Since then, two other businesses have followed Koch Industries' approach. We are concerned that more could follow.

Though class action lawsuits in the US are imperfect, we believe that they offer a hope of remedy to injured parties (financial or medical). The 'Texas Two Step' process and several other bankruptcy related tactics have the potential to undermine this means of redress. Without it, not only are individuals less able to pursue grievances against corporations but companies will also have less incentive to act in a sustainable way with the ''Texas Two Step' offering a way out of trouble. Already there has been substantial uproar in the US around the legal tactics of Purdue Pharma, one of the main defendants in the opioid epidemic that has used the threat of bankruptcy to limit liabilities. We expect this to become a much larger issue of accountability in the coming years with Senator Durbin, Chair of the Senate Judiciary Committee, already calling out this legal process.

After engaging with our investee company several times and making our views clear, we decided that management's decision to pursue this legal mechanism was incompatible with our sustainable investing framework. Going forward, we hope to continue to engage with other holdings and companies within our investment universe to stress the importance of being accountable to the communities they operate in.

Operations in Russia

The team engaged with a company that had been flagged by the Yale School of Management, within their report on those businesses that have continued to operate within Russia, as 'F - Digging In'. We alongside many other investors engaged with the company to follow up on this and spoke with management in person who confirmed that the company had exited its Russian operations and could have done a better job with regards to communicating this, although as a much smaller business with fewer resources to manage relationships we believe overall the company's actions have been acceptable. The company was subsequently graded 'A – Withdrawal' by the Yale School of Management.

More examples of ESG-related engagement activities are shown in Principles 9, 10 and 11.

Japanese Equities

Activity

Integrating ESG factors into the investment process is critical, as we believe financial performance and ESG efforts (non-financial information) are closely related and influence one another. We utilise proprietary ESG valuations of portfolio companies when making investment decisions. In order to effectively incorporate ESG considerations and other non-financial information into the investment process to supplement the analysis of a company's fundamentals (financial information, used to evaluate a company), we conduct our own ESG assessment.

In addition to global themes such as climate change and human rights, we extract and assess specific material ESG considerations for individual industries and companies, and utilise information from multiple external sources to create our proprietary ESG scores. These ratings are made available to all portfolio managers for integration into the investment decision-making process.

When evaluating the ESG characteristics of portfolio companies, we focus not only on potential risk but also on opportunities to generate future earnings. Although each equity strategy integrates ESG considerations into their investment philosophy and process in different ways, a common ESG evaluation platform is shared by all strategies.

More details of the sustainability risk integration process are shown in the SFDR disclosure document contained on our website:
https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Japanese_Equities.pdf

Integrating ESG issues and data into stewardship

An in-house proprietary ESG score, which is jointly produced by corporate analysts, is utilised for ESG integration into our equity investments. The ESG score includes environmental, social, governance and SDG-related considerations and is a quantified representation of our analysis and evaluation of risks, opportunities and other factors. There are a total of approximately 100 evaluation items, with a good balance between risks and opportunities.

In terms of opportunities, we evaluate items including management's vision and commitment with respect to ESG issues (ability to explain, plan and execute initiatives, as well as past achievements), along with the future growth potential and management resources of companies that contribute to the achievement of SDGs. For risks, our evaluations emphasise items such as whether or not a company has provided disclosure or obtained certification, or made other such public commitments.

Environment – we look at whether a company is managing transition risk and physical risks related to climate change and incorporating such risks into its business strategy. We also look at whether the company's management has expressed a commitment to the environment. With respect to matters such as TCFD reporting, we analyse and evaluate based on a company's integrated report and materials posted on its website. For natural capital and other environmental assessments, we evaluate items such as those related to waste management, conservation of river and marine resources and biodiversity.

Social factors – our evaluation looks at a company's internal and external risks and measures taken to address them. Examples include issues relating to employees' human rights and the utilisation of human capital, and the quality of products and services as well as supply chain management.

For **Governance** factors we evaluate multiple items to make sure that companies have put appropriate structures and systems in place such as the composition of the board, outside director independence and whether nomination and compensation committees have been established. We also evaluate qualitative issues such as dialogue with top management and successor planning.

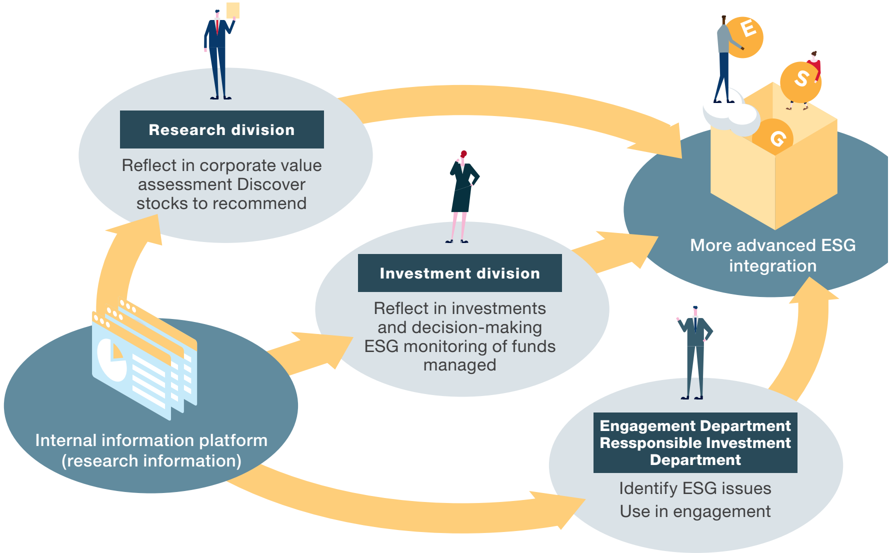
In SDGs we proactively evaluate a company's stance on whether solutions to SDG issues are considered as future business opportunities and if they are appropriately incorporated into the business strategy. Rather than simply looking at whether or not a company has businesses that contribute to the achievement of each goal, we conduct extensive research and forecast future sales mixes capable of contributing to SDG goals and look at whether a company has excellent human and technological resources to differentiate it from its industry peers.

To determine ESG scores, corporate analysts who have frequent contact with companies collaborate with ESG specialists who analyse ESG from a cross-industry perspective. Ultimately the Responsible Investment Department is responsible for the final scores which are then shared with the relevant departments.

These scores serve as an important piece of information utilised by investment decision makers within the investment process for each product. If additional ESG research is deemed necessary, the Engagement Department takes the lead in conducting the necessary engagement activities in collaboration with corporate analysts and ESG specialists.

Utilizing ESG Scores

ESG scores generated by quantification of non-financial information are used not only for investment decisions and new product development in investment portfolios, but also for client reporting and our ESG investment management.



Utilizing ESG score data in engagement	ESG scores are determined not only based on disclosed data but also using information on future risks and opportunities. By using this ESG score, we can compare the strengths and weaknesses of portfolio companies' ESG efforts, and use the scores in engagement such as discussing future course of action.
Utilizing ESG score data in investment activity	ESG scores are posted on an internal research-sharing system. The materials used by investment committees and others to evaluate investment value for individual companies contain usual financial indicators as well as ESG scores and ESG comments by the analysts in charge. These scores are actively utilized in making investment decisions.
Utilizing ESG scores in portfolio construction and monitoring	When building and reviewing portfolios, we check scores for individual companies, use them to make comparisons with industry peers and see how a company's score has changed, as well as to check the ESG quality of the portfolio. Investment managers can also use the items comprising the ESG scores of individual companies as a standalone data. Additionally, by regularly comparing the portfolio's overall ESG score to the benchmark, they can use ESG scores to check ESG risk bias and other factors.

More examples of ESG-related engagement activities are shown in Principles 9, 10 and 11.

Global Fixed Income

Details are also provided at Principle 2.

We select and model ESG factors that are material for credit investment based on a variety of research. In addition to this ESG factor model integration, qualitative evaluations by credit analysts are also considered within the investment process to improve the porfolio risk-adjusted return and sustainability.

We are committed to using ESG data and analysis to improve risk-adjusted returns for our investors. Our Fixed Income ESG integration approach is guided by two considerations that are most appropriate for investors:

- Avoid downside risk
- Incorporate price-material ESG data exclusively

We believe that focusing on the material ESG factors most likely to influence investment returns in an objective and systematic way is key to consistently and accurately pricing the full spectrum of non-financial risks increasingly present in fixed income markets.

To remain on the cutting edge, and capture potential investment-alpha opportunities, we incorporate new and emerging sustainability issues in our ESG research with a forward-looking bias. By identifying and focusing on these potential ESG risks, we can better position our portfolios to avoid these risks when they materialise.

Our Fixed Income ESG research and integration approach evolved in response to the Covid pandemic from the early stages of 2020. Further broadening our perspective, we identified supply chain security, energy security, cybersecurity and logistics bottlenecks as increasingly impactful ESG issues for investors to consider under the umbrella of what we call 'resilient investment.'

Our proprietary Fixed Income ESG process, comprising our unique database of ESG factors and industry-specific factor weights can be flexibly upgraded by incorporating new and meaningful data sources, such that the issues highlighted in the preceding paragraph are integrated into our assessment of corporate and Sovereign debt issuers. In our opinion, a more comprehensive view of the non-financial drivers of corporate and sovereign risk can contribute to better risk-adjusted returns.

Examples of integrating ESG issues and data into stewardship

As one example, cybersecurity is an increasingly material risk to both corporate operations and national critical functions such as power generation and healthcare, where system security is only as strong as the weakest link. For example, we now incorporate a quantitative measure of corporate cybersecurity performance into NAM's ESG scoring model for nearly every Japanese and major global company.

We combine these cyber risk ratings with NAM's proprietary framework for industry-specific cyber-risk materiality. This directly integrates into the NAM Credit ESG model's assessment of governance risk. This way, we can incorporate cybersecurity performance into the overall ESG credit analysis that systematically influences capital allocation decisions across NAM's global corporate credit investment strategies.

We also seek to use these cybersecurity performance insights in our fixed income investor engagement. With a comprehensive analysis of specific cyber weakness and comparative performance, we can provide actionable feedback to companies for better addressing their corporate cybersecurity risks. We believe such transparency may incentivise companies to invest to reduce cyber risks to their business and society at large.

ISS Climate Impact Assessment

We use ISS's Fixed Income / Multi Asset model to better align our approach to climate reporting internally, as well as to reflect a more comprehensive carbon emissions ownership structure that incorporates both equity and debt stakeholders.

Where the analysts identify ESG issues which they believe can be improved or addressed, they engage directly with the relevant companies to make their views known. This part of the investment processes is not limited only to companies in which the strategies have invested, but also to potential investee companies.

During the life of an investment, sustainability risk is monitored through review of ESG data to determine whether the level of sustainability risk has changed since the initial assessment was conducted. This review is performed on a periodic basis, not less than annually. Should some new piece of ESG / sustainability information come to light regarding a new security, its impact will be assessed with a view to reconsidering the security's ESG score.

ESG and sustainability are integrated in a manner that is tailored to each market and asset class. For example, investment themes such as emerging market sovereign external debt may apply Sovereign ESG scores directly to the assessment of relative credit risk, whereas for currency-focused and developed market rate investment themes, the focus is on considering certain long-term ESG trends such as structural decarbonisation and how these may affect specific economic variables including growth and inflation in specific countries.

For the avoidance of doubt, we do not insist on portfolio managers aligning decisions to ESG scores. The scores serve as indicators of potential issues and causes of potential sustainability-related volatility. Hence, outside the exclusion criteria mentioned above, even issues with poor ESG scores may be selected for portfolios (subject to individual account guidelines) if their valuations are sufficiently attractive on a risk-adjusted basis.

Further details of the key environmental, social and governance risks which could, if they occur, cause an actual or potential material negative impact on the value of a fixed income investment are outlined in the information we have provided in response to the EU's Sustainable Finance Disclosure Regulation (SFDR) which is available on our website at:
https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Global_Fixed_Income.pdf

Further examples of ESG-related engagements are shown in Principles 9, 10 and 11.

PRINCIPLE 8

Signatories monitor and hold to account managers and/or service providers.

As mentioned on page 20, the day to day investment management function may be delegated between NAM affiliate offices depending on the investment mandate and location of expertise. This cross-border delegation is formalised in (sub) investment management agreements (IMAs) between the relevant offices, which set out the duties and responsibilities of each party.

Delegation arrangements are clearly disclosed to potential clients during the sales process by way of information provided through sales literature such as RFPs and at meetings with sales staff and portfolio managers, and specific client approval of the delegation arrangement is confirmed via the IMA signed by the client which clearly outlines NAM UK's intentions to delegate to affiliate or third party investment managers.

Activity

We closely monitor the performance of affiliates or third parties who manage portfolios on behalf of NAM UK and we retain responsibility for their performance. We receive a monthly certificate from the relevant office to confirm that any investment mandates that have been delegated to them have been managed in accordance with the relevant investment guidelines and regulations, and advising us of any issues or concerns that have arisen. When issues are identified, we discuss corrective actions and influence outcomes.

All NAM UK contractual arrangements are subject to a due diligence process, both before the business relationship commences and on an ongoing basis. This should include a risk assessment which takes account of the type of service to be provided and the level of remuneration, the jurisdiction of the counterparty and its regulatory status if appropriate, and any conflicts of interest which may arise.

The quality of the service provided is monitored and overseen by the relevant business area, with any issues or concerns being escalated directly with the service provider.

An annual review of key outsource providers is carried out in conjunction with the relevant business areas who oversee the arrangement, which comprises a questionnaire covering the main details of the relationship and controls in place, and whether there have been any issues or concerns in the period under review. A summary is then submitted to the Executive Committee for review.

In the last 12 months we have formalised our Vendor Policy, in relation to the governance and control framework required to ensure effective management of vendors, while managing and mitigating the risks that arise in contracting out a 'process, service, systems or activity' to a vendor. Our enhanced oversight framework will be fully implemented across all our vendors in the coming months.

Research and data providers

We use input data from MSCI, Refinitiv and ISS ESG. This data is the best available but we recognise there are deficiencies, which is why we do not rely exclusively on this data but rather use it as one input source for our analysis. Our process relies on active research and analysis by our investment professionals and as such there is an ongoing process of checking and verifying any third party data.

Example: ISS ESG

In May 2022 we noticed changes in the data received from ISS ESG in respect of emissions for our portfolios, although there had been very little change in the underlying holdings within them. We queried the data with ISS who advised that the change was likely due to their enhanced scope 3 methodology launched earlier in the year. One of our main sustainable portfolios had gone from having only approximately 15% of the emissions (Scope 1+2+3) of its benchmark, to having approximately 95% in the latest quarterly reporting. The portfolio had seen very few changes so this appeared to be driven by the change in Scope 3 methodology/latest data.

We asked ISS to double check the data and were advised that prior to 2022, all scope 3 data was modelled based on a broad sector approach. These Scope 3 emissions estimates were "sector representative" emissions and designed to provide a guidance view of a full portfolio exposure. Post-2022, to meet growing client demands, ISS ESG began accepting company reported scope 3 emissions data. The quality and transparency had reached a critical mass. Additionally, ISS introduced an enhanced scope 3 modelling approach following the GHG Protocol's 15 sub-categories classification to complement this reported data. This approach was also to align with EU regulatory developments.

Taken very simply, the result of the change in approach meant the Scope 3 emissions for our portfolio now appeared seven times higher, which would imply that previous estimates / model were in the region of seven times too low versus the reported data. Whilst we appreciated that ISS had taken steps to improve on the data, and generally supported more accurate results, we asked whether the same had been experienced in other sectors.

Ultimately, we had to accept that the data was not very accurate before ISS's enhancement and now the emissions are a lot higher. On the flip side, the numbers now come directly via CDP - the Carbon Disclosure Project (a very highly regarded not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts) rather than internal ISS estimates, so the end result is a clearer picture in our reporting, combined with added pressure on investee companies to make accurate disclosures and take action to build a sustainable economy.

Example: MSCI

In the same month we raised a query with MSCI about Principal Adverse Indicators (PAI) information as part of their SFDR data package. It was not clear whether 'Not Disclosed' meant the PAI was included by MSCI as part of their impact coverage universe, and MSCI was confirming that company did not disclose the required information, or whether it meant that either the PAI was not covered by MSCI for that particular company, or that the company didn't disclose. This was part of an exercise for us to understand the proportion of companies fully covered.

We have also held other discussions with MSCI in respect of their SFDR package, to fully understand the workings of the metrics and associated mapping, and where to obtain certain data that is required in connection with our own reporting under the Level 2 Regulatory Technical Standards.

Proxy voting

(for asset classes where it is relevant)

As explained in Principle 12, we use ISS as proxy advisors, but we have lodged our own proxy policy with them and, moreover, provide them with data to support the proxy vote decisions cast on our behalf. As such we are less reliant on the decision making of the proxy advisor, rather they simply provide voting efficiency improvement for us. However we do monitor to check that ISS adhere to our policy and also frequently take ownership if they cannot decide on our behalf. In these situations we would undertake the vote ourselves. Ultimate ownership for such decisions lies with Global Equity Responsible Investment Committee referred to in Principle 2.

Ongoing checks are performed within our Corporate Actions teams to ensure that all proxy voting tasks have been completed in accordance with our policy, including a ‘four eyes’ check where the vote deviates from the ISS recommendation.

PRINCIPLE 9

Signatories engage with issuers to maintain or enhance the value of assets.

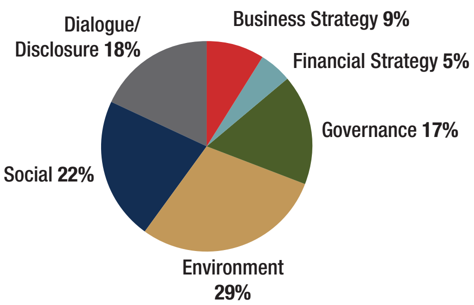
At the time of preparing this annual UK Stewardship Code report, the reporting data for the period 1 July 2022 – 30 September 2022 has not yet been finalised. Therefore the following graphs show engagement activity of the equity teams over the period 1 July 2021 to 30 June 2022:

Engagements	
Number of contacts	386
Engaged and responded	338
Engaged with no response	48
Response Ratio	**87.6%**

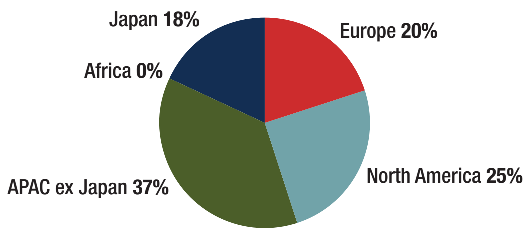
Engagements by Region	
Europe	76
North America	97
APAC ex Japan	142
Africa	1
Japan	70
Total	**386**

Engagements by Subject	
Business Strategy	79
Financial Strategy	40
Governance	153
Environment	253
Social	196
Dialogue/Disclosure	160

Engagements by Type



Engagements by Region



Engagements by Country	
Australia	9
Belgium	3
Britain	32
Canada	6
China	29
Denmark	4
Finland	1
France	7
Germany	8
Hong Kong	14
India	13
Indonesia	11
Ireland	4
Italy	2
Japan	70
Kenya	1
Malaysia	28
Netherlands	1
Philippines	5
Singapore	3
South Korea	14
Spain	5
Sweden	2
Switzerland	7
Taiwan	11
Thailand	5
United States	91
Total	**386**

Equities

As responsible investors we must take into account the broader impact of our investment decisions and it is our duty to engage with the businesses we own and / or lend to - and even those that we don't – to push for better practices where necessary.

Activity

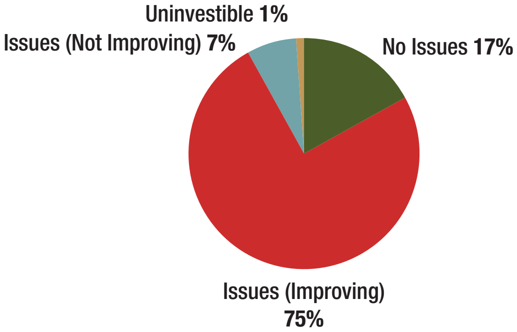
As further explained in Principles 1 and 7, targets for engagement are identified through our ongoing ESG research programme, which takes into consideration the ESG risks within our client portfolios and ongoing evaluation of the impact that our investee companies have on all stakeholders. An assessment is made as to the severity of the engagement topic and the engagement itself is carried out at the appropriate level.

As part of the research process the analyst will typically have some interaction with the company in question to help better understand the nature of the business and the issues that they face. During that call the analyst will typically ask questions on ESG matters so as to get an understanding of the situation and the actions a company is taking. Then, during the stock review/discussion process the analyst will rate each company on ESG matters as "No Issues", "Issues but Improving", Issues not Improving" or "Uninvestible". Within this framework, where we identify an issue the analyst will engage with the company again to inform them and ask for more information/encourage improvement on the issue. These engagements are either by email, teleconference, video conference or face to face and can include interaction with Investor Relations, management and/or Board members.

With reference to the comments at the beginning of Principle 9, the charts below show the ratings that were assigned during the period 1 July 2021 to 30 June 2022:

Companies Reviewed	
No Issues	33
Issues (Improving)	142
Issues (Not Improving)	13
Uninvestible	1
Total	**189**

Ratings Assigned Over the Period



Where we feel our engagement activity is not having the desired effect we will escalate our concerns to more senior management or directly to the board. We are proactive with regards to proxy voting as a means to express our views and we actively seek to collaborate with other investors to maximise the impact of our activity. Additionally we work with Sustainalytics to join certain of their engagements and also to have them take up our issues with companies directly.

We report on our engagement activity on a quarterly basis.
https://www.nomura-asset.co.uk/responsible-investment/

SBT Engagement Project

The team began a project to engage with those companies in our Global Sustainable Equity (GSE) portfolio that have not yet had their GHG emission reductions targets approved by the Science Based Targets initiative (SBT) or committed to doing so. Such targets align a company's objectives for the pathway of their emissions with what is required to meet the Paris Agreement – limiting global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

The SBT validation of GHG emission reduction targets is considered the gold standard within the investment community and provides investors with an opportunity for a more direct comparison between peers and across sectors.

The initial stage of the project was focused on analysing GSE portfolio holdings' GHG emission reduction targets and then engaging with all companies that we identified as not having had their targets approved, or who had not disclosed what attempts they were making to do so, to understand their reasons for not having such targets and what challenges they were facing.

In November 2021, Nomura Asset Management announced its own commitment to the Net Zero Asset Managers initiative so this adds to the impact we believe we can have as a firm by using our influence and experience when engaging with investee companies to set their own targets.

Since the beginning of our SBT engagement project the team has offered support to those companies expressing interest in validating their GHG emission reduction targets. For some companies we have initiated a milestone engagement work with the goal to eventually receive an approved status. One example of such milestone engagements is with a US Electric Utility business, which the team has continued to support since Q4/2021. We connected them to a representative from the CDP responsible for the utilities sector to advise them on the methodology they would need to follow in order to validate their targets. The company had communicated that the main issue preventing them from making a decision was their power supply, and their lack of control over this as a pure play network operator. Their power supply falls in the company's Scope 3 emissions and according to the SBT's methodology, if a company's Scope 3 emissions are more than 40% of their total emissions, a reduction of Scope 3 should be included in the overall reduction target. As a result, in Q1/2022 the company hired a consultant to further support assessment of their ability to commit to setting targets. The company subsequently informed us that they have now set a deadline of November 2022 to make a public announcement on whether they would commit to the SBT initiative or would explain why if they chose not to.

Other examples of engagement during the period October 2021 to September 2022 are shown in Principles 10 and 11.

The details of all our engagements are also available for scrutiny on our website via our engagement dashboard tool, which allows for flexible analysis of the work we have done across time and by geography, industry, category, UN Sustainable Development Goal and our own ESG goals, as well as activity disclosure: https://www.nomura-asset.co.uk/responsible-investment/engagement/

Japanese Equities

Activity

We engage in constructive dialogue with companies regarding financial and non-financial risks and opportunities.

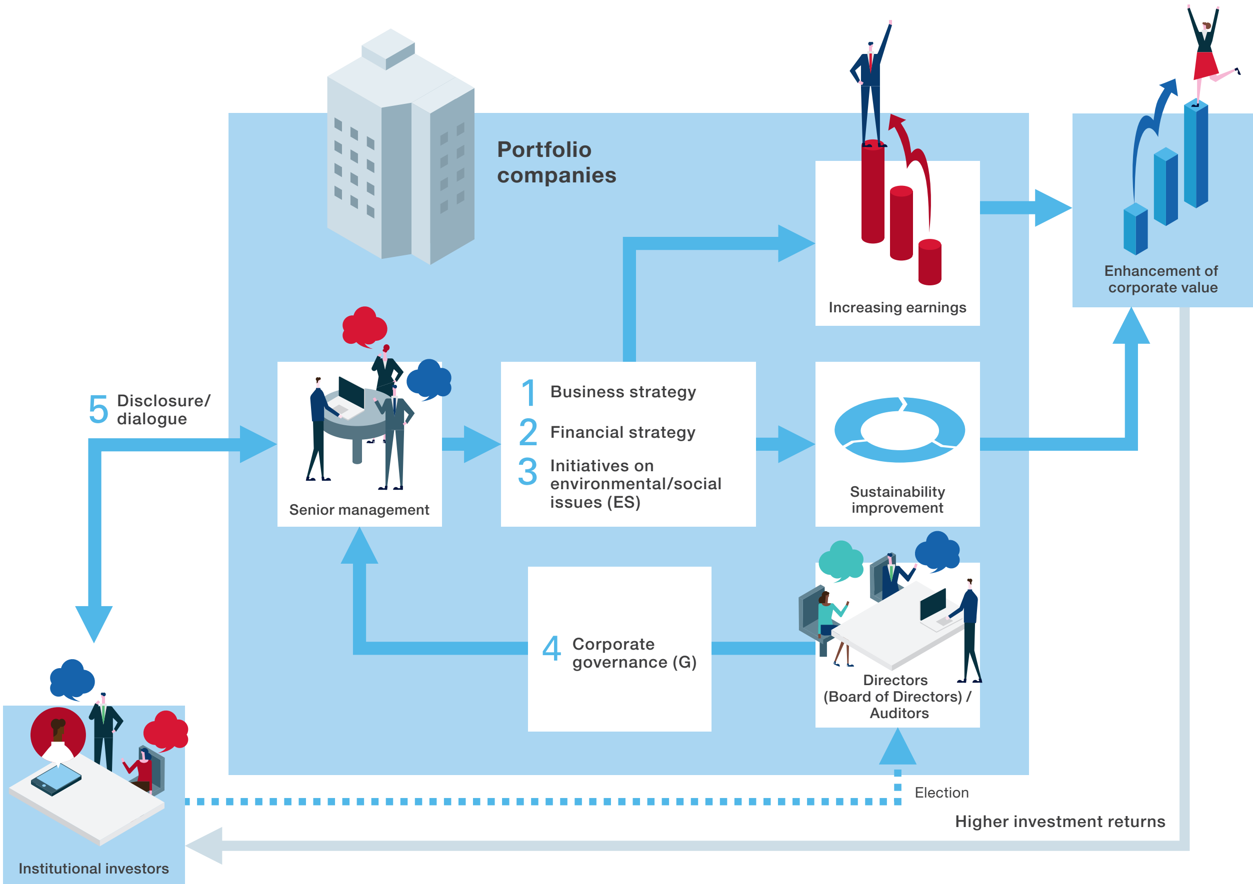
We believe that engagement, or constructive dialogue with portfolio companies, starts with a thorough understanding of the target company and its business environment as well as its future. We also view engagement as one of the most powerful means to fulfil our stewardship responsibility.

Our definition of engagement is to ‘exert an influence on companies based on deep understanding of them so that they will be able to enhance their corporate value and achieve sustainable growth by operating in desirable ways.’ Merely seeking improvements from companies with ESG issues is not engagement. We believe that an important role of engagement is also to directly communicate our support and approval as an investor to companies that operate in desirable ways.

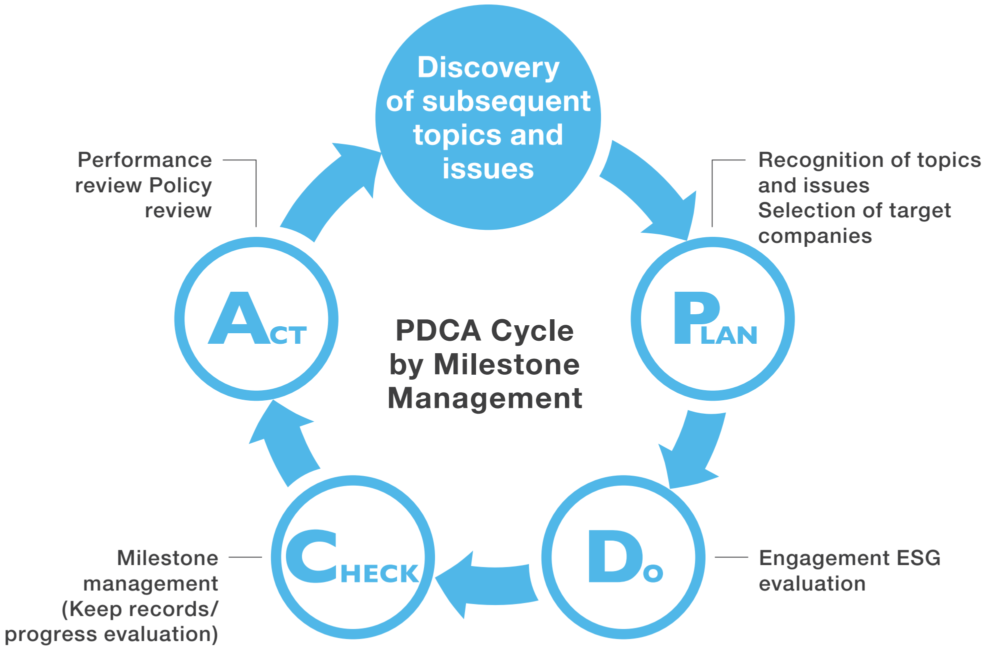
We are convinced that supporting the enhancement of the corporate value and sustainable growth of companies through ongoing engagement activities will contribute to the medium to long term growth of assets entrusted to us by our clients.

In accordance with our responsible investment policy, we have divided engagement topics into five categories:

- Business strategy
- Financial strategy
- Environmental and social issues
- Corporate governance
- Disclosure and dialogue



In order to manage our progress on engagement, we carry out 'milestone management,' setting the period for individual engagement topics at three years. By following the process shown below (Plan, Do, Check, Action) progress using a fixed timeline, we can efficiently formulate a dialogue schedule for subsequent phases and evaluate the results. To measure results, we check whether a company has advanced to the next stage, in other words whether or not the improvement process for an issue is ongoing.



Some examples of engagement during the period October 2021 to September 2022 are summarised below:

Japanese Rubber Products

We have been engaging with this Japanese Rubber Products company for 17 months regarding climate change issues including becoming a TCFD signatory, and subsequent actions, and completed the engagement in October 2022.

We have regular meeting with managements of the company on sustainability issues and governance, and have a good understanding of their strategies and organizations.

We originally visited the company in June 2020 and discussed about the risks of climate change for their business and encouraged the company to support for TCFD Recommendations as they had not reached an internal consensus regarding preparing the related data. In a follow up meeting in October 2021, the company confirmed that they had supported TCFD and provided disclosure in line with the Recommendations.

Whilst it was great that the company had supported TCFD and provided disclosure in line with Recommendations, we then asked for further improvements in such disclosure, for example scenario analysis in line with TCFD Recommendations.

We therefore started a new milestone management with new milestone goal " Disclosure of scenario analysis in line with TCFD Recommendations " in October 2021, and met with the company again in August 2022 to further encourage the company in this requirement.

Japanese Electronic Equipment

We have been engaging with this Japanese Electronic Equipment company since December 2019 regarding the establishment and disclosure of long term targets related to ESG issues, especially around diversity.

We originally visited the company in December 2019 and discussed about their long term sustainability vision. We encouraged it to establish and disclose a sustainability target related to social issues, and especially gender diversity.

We had follow up engagement meetings in February 2020, February 2021 and February 2022 and have noted progress in promoting diversity such as the establishment of the Diversity Promotion Department and the appointment of a woman as its head. The company has finally established a long term target to achieve female manager ratio of 15% by 2035, which looks ambitious considering their past achievements. Nevertheless, in our meeting in February 2022, we appreciated the company's efforts to achieve goal through many initiatives such as the introduction of new systems.

Global Fixed Income

Activity

Areas of concern are highlighted through our credit research process that examines both financial and non-financial (ESG) elements of corporate debt issuers' businesses. Our analysts undertake their research on a sector basis and use both qualitative research and quantitative tools to examine both financial and non-financial criteria.

Where the analysts identify issues which they believe can be improved or addressed, they engage directly with the relevant companies to make their views known. This part of the investment processes is not limited only to companies in which strategies have invested, but also to potential investee companies.

Some examples of engagement during the period October 2021 to September 2022 are summarised below:

UK Utility

In July 2022 a meeting was held with the company, which has a separate bond issuer, in which we asked how it would meet its ambitious targets around water leaks.

The company advised of the steps it was taking to achieve its goals, such as using smart meters and identifying leaks in a more timely manner. This process could mitigate the expensive cost of waterpipe replacements.

A milestone goal was set for the target that the company had set itself, which we continue to monitor.

US Leisure company

The company was identified in our screening for weakness in its carbon emission reduction and management of privacy and data security. We initially attempted to engage with the company back in 2019 without successfully receiving any response. There has been little improvement in our screening results which prompted us to engage again to encourage the company to introduce a carbon emissions reduction target and to understand its data management policy.

A call was arranged with Investor Relations and Financial Planning to discuss the lack of external independent audits of the privacy and data security policy framework and system, as well to encourage more disclosure on the carbon emission reduction target.

We were advised that the company conducts a cybersecurity audit every 2 years via a third party provider and that there is a reporting framework from security officers and privacy officers to the Board and CEO.

The company also advised us of its plan to introduce carbon reduction target in its upcoming 2021 Sustainability Report. Soon after, the Sustainability Report was released together with a carbon emission reduction target

PRINCIPLE 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

One asset manager's standalone influence can often be limited. Working with peers can exert greater pressure. Asset managers are therefore becoming more open to collaboration and supporting each other to achieve better outcomes.

Jointly signed letters, group calls with company management or co-filing of shareholder resolutions are all examples of how investors are showing a united front in an effort to improve the likelihood of achieving a positive outcome. The United Nations-backed Principles for Responsible Investment is perhaps the most well-known alliance through which investors can support ongoing initiatives, spanning meat sourcing to pharmaceutical company responses, to Covid-19, deforestation and disability inclusion.

Industry bodies and NGOs are also important allies. Their networks and knowledge present us with matters that we, as investors, might not have previously focused on. Access to Medicine is a fantastic resource that helps investors understand best practice that enables citizens in emerging economies to access vital drugs and medicines. Additionally, the NGO coordinates like-minded investors to ensure they are equipped with the necessary information to engage with pharmaceutical companies on these issues and explain what is expected of them.

We, as asset managers, are increasingly well-placed to work with companies that are tackling these issues, perhaps for the first time. We have a genuine world view and can help them realise their role in their specific industry or regional landscape, and how they measure up on sustainability issues. We believe collaboration is key here, too, and are running a project to bring companies together to work towards better environmental and social outcomes.

Equities (including Japan)

ACTIAM

In our Stewardship Code report issued in September 2021 we referred to our ACTIAM-led collaboration with other financial institutions towards achieving zero deforestation. Since then, we have seen the engagement activity and the number of productive discussions pick up significantly, with the addition of new companies and investors to the project.

Phase two of the project saw our satellite monitoring partner, Satelligence, expand its reach to cover palm oil plantations and mills in Indonesia. A further 21 companies were identified to engage with, of which 3 showed a lack of traceability efforts or did not disclose their supplier lists, with the others being companies that disclosed their existing supply chains but had been connected to cases of deforestation based on satellite imagery and artificial intelligence. NAM took the lead on two of these supplementary companies.

Overall, the initiative has led to constructive discussions with those companies who have agreed to engage so far. Increasingly, companies are acknowledging the need for transparency and publishing supplier and mill lists, which is a testament to the fact that they are also taking steps towards full traceability.

With more than 100 countries that account for 85% of the world's forests committing at COP26 to ''working collectively to halt and reverse forest loss and land degradation by 2030" the initiative will continue to engage with its targets to follow up and understand their views and challenges, focusing on efforts for remediation and transparency.

More recently, together with ACTIAM, Fidelity International and NN Investment Partners, NAM has commissioned a firm to utilise 'bioaccoustics' technology to develop a biodiversity measurement that will enable us to enhance engagement with firms.

We have sponsored French start-up Green PRAXIS to conduct a pilot study using recording devices to assess the biodiversity across different land uses of a palm oil company in Indonesia, including places of non-intensive production, intensive production, reforested land and conservation areas.

The devices – which monitor birds, insects, frogs and other animals – have AI capabilities and can be connected to thermometers and photometers to measure various additional aspects of ecosystem conditions, such as weather, humidity and vegetation type.

Bioacoustics measurements are complementary to satellite-based monitoring and help to assess whether reforested or standing forests which appear intact in satellite imagery also have high biodiversity conservation value. Bioacoustics offer several advantages including automation, repeatability and scalability. The technology is also less invasive to the surrounding ecosystem compared to other technologies available to measure and monitor biodiversity.

Access To Medicine (ATM)

In our Stewardship Code report issued in September 2021 we also reported that NAM had co-signed letters and statements to the pharmaceutical industry with regard to its response to the Covid pandemic, and we have continued to contribute to this collaboration with ATM.

In Q1/2022, we led a group call with a pharmaceutical company across to cover the areas of improvement identified by ATM - slow vaccination rates in poorer nations, access to Covid vaccines in particular, and also the collaboration with Every Breath Counts Coalition on access to medical oxygen for low and middle-income countries - as well as our own expectations.

Discussions included improving impact reporting, aligning C-Level management with access outcomes, the current distribution approach in Sub-Saharan Africa and the company's decision not to license a long-acting HIV treatment so that generic companies could make and distribute less expensive versions to low- and middle-income countries. The call was ultimately productive and we felt that the company was very engaged and open to debating where our views differed, taking on board in particular the need for better impact data to support the sustainable investment community in making better decisions.

We have also continued to engage with other Covid-19 vaccine manufacturers to push for better reporting on access efforts and the impact on human life as a result of their activity in the vaccine space, as well as pushing for them to link this to remuneration of management.

Access to Nutrition Initiative (ATNI)

NAM was the first Japanese asset management firm to sign the Investor Expectations on Nutrition, Diets and Health developed by ATNI.

Access to proper nutrition presents a major global sustainability challenge, as recognised in goals 2 and 3 of the UN Sustainable Development Goals, which aim to achieve zero hunger as well as good health and wellbeing.

ATNI is an independent, not-for-profit organisation that publishes consistent, standardised analysis and commentary on food and beverage manufacturers' efforts to improve consumers' access to nutritious foods and beverages, both globally and in 'spotlight' countries.

ATNI develops tools and initiatives to track the contribution of food and beverage companies to addressing global nutrition challenges and delivery on their commitments to nutrition at the national and global level.

Having previously served as co-chair for engagement with a Japanese food company, and just prior to the Tokyo Nutrition Summit held at the end of the year, in October 2021 NAM sponsored the ATNI Global Index 2021 Japanese Launch Event with ATNI and Neural. Together with other Japanese company participants, institutional investors supporting the Investor Pledge and government officials, the results of the Global Index 2021 study were considered, as well as discussions on topics including the issues and opportunities facing companies to advance healthy dietary lifestyles, and making international nutritional standards consistent with Japan's specific circumstances.

Global Fixed Income

Activity

We have not undertaken any collaborations with external parties on behalf of our fixed income clients but in August 2022 we combined forces with our Equity department to approach a US digital payments company to raise the issue that payment networks should do more to monitor connections with child pornography websites, after it was found that the company's services had been used to pay for advertising on such sites, and a lawsuit had been filed by a complainant.

The company noted our recommendation of increased monitoring, making more use of Artificial Intelligence and requiring merchants to report SKU level data and said that this would be relayed to management.

A milestone goal was set to increase guardrails within the company's payment networks, thereby contributing to prevention of facilitation of child exploitation.

The company subsequently suspended payments through its networks for advertising on such networks, as part of the growing fallout from the landmark ruling in the lawsuit.

PRINCIPLE 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Equities (including Japan)

Activity

Our policy is to maintain active dialogue with companies at all times, and this also applies if there are shortcomings in performance, or a company has failed to apply appropriate standards or provide adequate disclosure. Dialogue with the company will continue over an extended period if necessary. Escalation of our approach may depend on the company's individual situation and jurisdiction, and may include communication through the board of directors or through channels other than the usual contacts.

In addition to examples provided in Principles 9 and 10, examples of engagement and escalation during the period October 2021 to September 2022 are summarised below:

Japanese chemicals company

We have been engaging with this company since May 2020 regarding data disclosure in accordance with the TCFD, regarding climate change impacts and countermeasures.

When we met the company in May 2020 and first discussed about their GHG emissions reduction target, it was only on an intensity basis (per unit of sales). We asked the company to set and disclose a reduction target for total emission since the total amount is the focus of attention for achieving the goals of the Paris Agreement. The company recognised the issue but despite a follow up engagement meetings in April 2021, the target had not yet been set.

We met the company in May 2022 and encouraged them to establish and disclose long-term targets for total GHG emissions or reduction contribution and continue to monitor progress.

US Household Products company

A call was held with the company in which we asked for an update on the status of previous deforestation events that had been identified, as well as their efforts more broadly towards no deforestation. The company updated us on their policies and ambitions and work with the Consumer Goods Forum. They also advised that the previously flagged deforestation events were recorded in their grievance mechanism.

A milestone goal was set for the company to respond to deforestation cases encountered in their supply chain and to mitigate future deforestation.

Engagement and monitoring are ongoing.

Sustainalytics

In addition to the extensive ESG research activity we carry out, the services of Sustainalytics' engagement arm are used to maximise our engagement voice and ability to push for better practices and fairer outcomes for all stakeholders. The Sustainalytics engagement team has over 40 employees globally dedicated to corporate engagement and represent €1.5trillion of investments worldwide.

Sustainalytics provides Global Standards Engagement, in which companies are selected for engagement based on violations of international norms such as the UN Global Compact, Material Risk Engagement covering companies with critical ESG risks, and Thematic Engagement, which focuses on solutions to specific topics such as localised water and responsible cleantech from a global perspective.

MORNINGSTAR | SUSTAINALYTICS

Thematic Engagement

E

Engagement related to Feeding the future

Engagement Policy	Target companies
Efforts to help the food industry transition to a sustainable world food system, including managing natural capital such as land and water, reducing food waste, and responding to changing consumer trends.	Agriculture, agrochemicals, packaging food, food retail companies

E S

Engagement related to Localized water

Engagement Policy	Target companies
To enhance water security for all and reduce risks to businesses, promote a better understanding of water issues and encourage the development of regional goals.	Companies with operations in the Tietê and Vaal river basins and are highly dependent on the local water situation

E S

Engagement related to Responsible cleantech

Engagement Policy	Target companies
Encourage an appropriate response to environmental and social risks in their operations and supply chain, and a product life cycle approach to promote more sustainable production of cleantech solutions.	Solar power generation equipment, wind power generation equipment, battery-powered electric vehicles

S

Engagement related to Child Labour In Cocoa

Engagement Policy	Target companies
Aiming to improve the problem of child labor on cocoa plantations, encourages companies to promote access to education and other children's rights, with the aim of solving poverty which is at the root of the child labor problem	Cocoa and chocolate companies, companies in related supply chains

S

Engagement related to Modern slavery

Engagement Policy	Target companies
Encourage companies to adopt a multi-dimensional strategy that encompasses structural root causes, rigorous monitoring, and a continuous improvement approach to address the key risks of modern slavery.	Companies in apparel and construction industries

G

Engagement related to Tomorrow's Board

Engagement Policy	Target companies
Encourages companies to have directors with the appropriate abilities to deal with important ESG issues and to display the necessary commitment	Companies in extractives, financial , and healthcare sectors which have especially large ESG issues and opportunities

G

Engagement related to The Governance of SDGs

Engagement Policy	Target companies
Encourages companies to define meaningful SDGs strategies that align with their business plans. Aims to influence these companies to produce positive outcomes in line with the 2030 SDG agenda.	Consumer goods, financial, and Information and communications technology companies

Global Fixed Income

In addition to examples provided in Principles 9 and 10, a further example of engagement and escalation during the period October 2021 to September 2022 is summarised below:

UK Banking Group

A call was held in September 2022 in which the following issues were raised:

- **Environment:** GHG emissions
- **Governance:** diversity in senior roles
- **Social:** improvement of housing quality and financing regional development, weak consumer financial protection

Environment: the issuer advised it is on track to achieve zero emissions targets by 2030 and 2050

Governance: the issuer is ahead of some of its peers in terms of management diversity and has set targets for its female and racial minority management rate.

Social: we appreciated the issuer's clear vision on the social responsibility of lending, although it has no numerical targets or achievement timescale for its stated desire to improve access to finance for quality housing and regional development.

A milestone goal was set for net zero emissions by 2030 for the issuer and by 2050 for its borrowing companies, and also specific % targets for female and racial minorities in senior roles by 2025.

We continue to monitor the progress and have encouraged the issuer to set targets where there are currently none.

PRINCIPLE 12

Signatories actively exercise their rights and responsibilities.

When exercising proxy voting rights, NAM's global policy – which was reviewed and updated in November 2021 - is to vote for resolutions that are deemed to enhance shareholder value, while voting against those that are deemed harmful to shareholder value. Proxy voting rights are not exercised solely as a means to address specific social or political issues, irrespective of the investment returns of the company.

Any misconduct, violation of laws and regulations or rules of stock exchanges, or any act deemed questionable in view of initiatives directed at ESG issues or social norms, is regarded as being harmful to shareholder value.

The following is a summary of the position taken on certain issues:

Election of Directors	The Board should consist of a diverse range of persons who are qualified for the position, with sufficient skills and experience and the capability to supervise the execution of the business on behalf of shareholders, and should be of an appropriate size considering the nature and scale of the company's business. If a company is found to have engaged in any activity that is materially harmful to shareholder value, or if its business performance remains sluggish over a long period, or any similar issue is identified – such as failure to address inadequacies identified by us during engagement, leading to potential risk to corporate value or medium / long term sustainable growth, we will in principle vote against the election of directors deemed to be responsible for such issues. In principle we vote for the election of outside directors, whilst paying special attention to characteristics such as their independence and any remuneration received.
Election of Auditors and Accounting Auditors	Auditors are expected to be sufficiently and appropriately qualified for the nature of the business concerned. If a company is found to have engaged in any activity that is materially harmful to shareholder value and an auditor is found responsible for any part thereof, or is deemed to have failed to fully perform their duties, we will vote against the re-election of the auditor. Outside auditors must be independent of management. This is determined by criteria such as whether they are representatives of major shareholders, have received a large amount of income other than executive remuneration from the company, or whether they are related to other executive members. There should be a proper justification for any proposed reduction in the number of auditors. The same conditions apply for the election of Accounting Auditors, as well as voting against in the event of an accounting auditor expressing inaccurate opinions on the company's financial status.

Executive Remuneration	Executive remuneration plans should be reasonable and aligned with the long term performance of the company. We vote against remuneration plans if the company is found to have engaged in any activity that is materially harmful to shareholder value, or has plans that are deemed as such, or the amount of remuneration is inconsistent with or inequitable compared to the company's overall financial position. We will vote against resolutions on executive bonuses when there is a significant decline in business performance or when the bonus payment amount is found to be unreasonably large in relation to past achievements and the current financial conditions of the company, or as compared with other competitors. This includes resolutions offering company stock (including stock options) when there is a significant decline in business performance. In principle, we vote for stock remuneration plans whose terms and conditions, such as eligibility and scale, are properly set forth for the purpose of incentivising executives.
Retirement Bonuses for Directors and Auditors	We will vote against resolutions on retirement bonuses for retiring executives when the company is found to have engaged in any activity that is materially harmful to shareholder value, or when there is a significant decline in business performance or share price, or when the amount of the retirement bonus payment is found to be unreasonably large considering past achievements, the current financial conditions of the company, or as compared with other competitors.
Allocation of Dividends and Profits	The company should ensure that distributions are consistent with its long term investment plan and capital policies. In principle it is desirable that excess funds are distributed to shareholders. We shall vote against allocation policies considered significantly inadequate and harmful to shareholder value.
Acquisition of the Company's own stock	While we view this positively as a means to enhance shareholder value we would oppose such a resolution it if is deemed to be inappropriate for the sake of the company's capital structure.
Change in number of authorised shares	We will vote against such a resolution if its purpose is inappropriate.
Issuance of Preferred and other classes of shares	We will in principle vote for such resolutions if the purpose is clear and appropriate and deemed not to harm the interests of general shareholders, whilst considering the application requirements, fairness of voting rights, beneficiaries and other relevant matters.
Corporate restructuring and capital policy (eg. mergers and acquisitions, sale / transfer of business, corporate separation, capital increase etc)	Generally we will vote for such initiatives if they are deemed appropriate, considering the contents of the resolutions, financial conditions, effects on shareholder value, basis and rationality of management judgement, fair disclosure etc. When shareholders receive a consideration, whether in the form of shares, money or otherwise, in relation to corporate restructuring or capital policy, we would place emphasis on the appropriateness of such action when deciding whether to vote for or against.

Anti-takeover measures	We would oppose such a resolution unless shareholder value is protected.
Amendment of Articles	This will be considered on a case by case basis, taking into account the enhancement and / or protection of shareholder value from impairment.
Shareholder Resolution	We will determine whether to vote for or against on a case by case basis, taking into account the enhancement and / or protection of shareholder value from impairment.
Other issues	Considered on a case by case basis, taking into account the enhancement and / or protection of shareholder value from impairment.

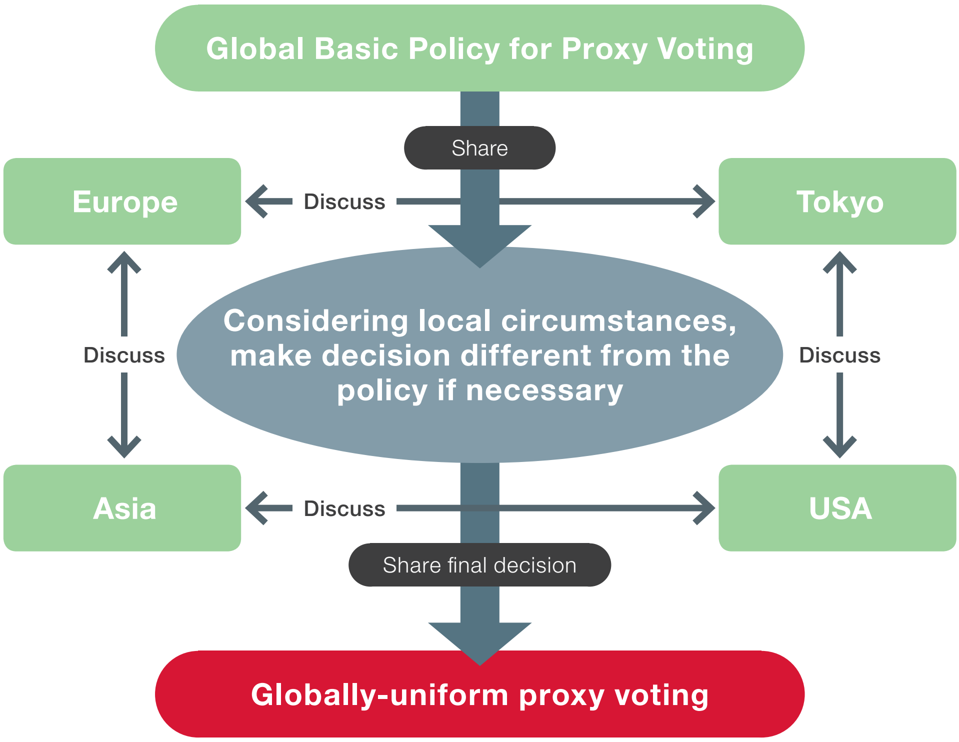
https://global.nomura-am.co.jp/responsibility-investment/vote.html

There may be situations where NAM may be unable to vote, or may decide to abstain from voting in certain circumstances, including, but not limited to:

- Securities lending - when securities are offered for loans as of the record date of exercising a proxy vote, they need to be collected before exercising the vote. We may not exercise a vote after considering the practical implications and costs involved in collecting such securities – or, on the other hand, may recall them in order to vote.
- Share blocking - some countries and regions require shareholders to deposit their shares with a designated depository during a specific period shortly before a shareholders' meeting as a condition for exercising a proxy vote. Shares cannot be sold during this blocking period. In such circumstances, we may not exercise the proxy vote due to practical considerations and the potential for opportunity loss.
- Re-registration - similarly, in some countries and regions, re-registration of shares is required in order to exercise a proxy vote. Again, we may choose not to exercise the vote because shares cannot be sold during the re-registration period.
- Other - for example, if we are unable to obtain adequate information (eg. if the period between receipt of the resolution and the exercise of voting is insufficient), or if the cost of voting the proxy outweighs the possible benefit to the client.

Activity

NAM employs the services of Institutional Shareholder Services (ISS) to efficiently apply our proxy voting rights to individual proposals. ISS are provided with comprehensive and proprietary guidelines set out in our proxy voting policy.


Global Basic Policy for Proxy Voting
Share
Europe
Discuss
Tokyo
Discuss
Considering local circumstances, make decision different from the policy if necessary
Discuss
Asia
Discuss
USA
Share final decision
Globally-uniform proxy voting

Equities

We generally decide to vote for or against a proposal in accordance with the Proxy Voting Policy referred to above, as we have a proprietary proxy policy lodged with ISS who vote on our behalf. However, from time to time ISS may refer an item to us where they are not able to decide, or we can override the ISS decision if we feel their interpretation of our policy has not been reflected.

At the time of the publication of this annual UK Stewardship Code report, the reporting data for the period 1 July 2022 – 30 September 2022 has not yet been finalised. Therefore the following charts show voting activity of the global equity team over the period 1 July 2021 to 30 June 2022:

Proposals Voted on from Q3/21 – Q2/22

Proposal Subject	Count	Proportion of Total Votes
Antitakeover	14	0.1%
Capitalisation	1090	10.2%
Directorships	6330	59.0%
Compensation	782	7.3%
Reorg/M&A	737	6.9%
Routine Business	1565	14.6%
Health/Environment/Social	47	0.4%
Other	156	1.5%
Total	**10721**	**100.0%**

Proposals Voted 'Against' Management from Q3/21 – Q2/22

Proposal Subject	Count	Proportion of Total Votes
Antitakeover	0	0.0%
Capitalisation	50	4.3%
Directorships	441	38.1%
Compensation	409	35.3%
Reorg/M&A	55	4.7%
Routine Business	80	6.9%
Health/Environment/Social	32	2.8%
Other	92	7.9%
Total	**1159**	**100.0%**

Voting Record vs. Management from Q3/21 – Q2/22

	With	Against
Votes	9562	1159
Proportion	*89.2%*	*10.8%*

Voting Record vs. ISS from Q3/21 – Q2/22

	With	Against
Votes	10397	286
Proportion	*97.3%*	*2.7%*

In connection with the data table, examples of where we voted against management or elected to withhold our vote include:

- Voted 'Against' the approval of a proposed investment in wealth management products with self-owned funds at a Chinese Diversified Metals & Mining company as we believe the proposed investment could expose the company to additional and unnecessary risks. Management had recommended a vote 'For' this proposal.
- Voted 'Against' the amendment of the external investment management system at a Chinese Electric Components company. The vote was warranted, given the company failed to disclose sufficient details and the provisions covered under the proposed amendments. Management had recommended a vote 'For' this proposal.

- Voted 'For' the implementation of a report on gender/racial pay gap at a US Information Technology company as we believe shareholders could benefit from the median pay gap statistics, which would allow them to compare and measure the progress of the company's diversity and inclusion initiatives. Management had recommended a vote 'Against' this proposal.
- Voted 'For' the implementation of a report on effectiveness of workplace sexual harassment policies at a US Information Technology company as the company faces potential controversies related to workplace sexual harassment and gender discrimination. Additional information on the company's sexual harassment policies and the implementation of these policies would help shareholders better assess how the company is addressing such risks. Management had recommended a vote 'Against' this proposal.
- Voted 'For' the implementation of a report on forced labour at a US Technology Hardware & Equipment company as we believe increased supply chain transparency policies and processes could help alleviate growing risks related to manufacturing in certain regions. Management had recommended a vote 'Against' this proposal.
- Voted 'For' the implementation of a report on GHG emissions reduction targets at a US Consumer Staples company as additional information on the company's GHG emissions reduction efforts would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks. Management had recommended a vote 'Against' this proposal.
- Voted 'For' a US Communication Services company to oversee and report a third-party racial equity audit as we believe such an independent audit would help shareholders better assess the effectiveness of the company's efforts to address the issue of any inequality in its workforce and how it mitigates related risks. Management had recommended a vote 'Against' this proposal.
- Voted 'For' the adoption of independently verified science-based GHG reduction targets at a US Industrials company as additional information on the company's efforts to reduce its carbon footprint and align its operations with the Paris Agreement goals would enable investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks. Management had recommended a vote 'Against' this proposal.

We report our proxy voting and engagement data on our website (see links below). The interactive dashboards allow for flexible analysis of the work we have done across time and by geography, industry, category, UN SDG, our own ESG goals and more.

The full record of our proxy voting entries can be found here:
https://www.nomura-asset.co.uk/responsible-investment/proxy-voting/

Japanese Equities

Activity

In proxy voting, we focus on the corporate governance of portfolio companies. Accordingly, the following three aspects are particularly important:

- The election of directors
- Executive compensation
- The election of auditors

In addition, the appropriation of surplus is important when it comes to Japanese companies because they are often criticised for retaining a large amount of cash and deposits, and being unwilling to return profits to shareholders through dividends and share buybacks. Moreover, proposals submitted by shareholders have also been increasing in recent years. Due to differences in legal systems, it is easier to make shareholder proposals in Japan than in Europe and the United States, and these proposals can often have a direct impact on the management of companies. These proposals must therefore be considered carefully.

We regard proxy voting as part of our engagement with portfolio companies, and we make judgements on proposals in accordance with our proxy voting guidelines.

Decisions regarding proxy voting will be made by the Responsible Investment Committee. The Responsible Investment Committee comprises a Chairperson appointed by the Executive Management Committee, and other members who have been appointed by the Chairperson. We have established an organizational structure that enables highly transparent decision making through the participation of outside directors on the Responsible Investment Committee.

More details of the proxy voting process are contained in the Responsible Investment Report 2021 at this location: https://global.nomura-am.co.jp/responsibility-investment/investors/

Full details of proxy voting results are contained at:
https://global.nomura-am.co.jp/responsibility-investment/vote.html

Global Fixed Income

Activity

For the fixed income assets that we manage, which are exclusively publicly traded debt instruments, we do not have the ability to amend indentures, contracts, trust deeds or impairment rights. Information provided in trust deeds and impairment rights may be sought as part of the credit research process, if relevant. If the provision of information from an issuer is (in our view) insufficient, we avoid investment. All relevant prospectuses are of course reviewed prior to investment as part of our research process.

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Disclosures

The EU Sustainable Finance Disclosure Regulation ("SFDR") requires investment firms to formalise how sustainability is integrated into their business and processes, and to make new public and client-facing disclosures on sustainability matters. The aforementioned disclosures relating to Nomura Asset Management U.K. Limited are published on our website at **https://www.nomura-asset.co.uk/responsible-investment/esg-sustainable-investment/**